

# TCL CORPORATION

# TCL 集团股份有限公司



创意感动生活  
The Creative Life

## INTERIM REPORT 2018

28 August 2018

## **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 Corporation (hereinafter referred to as the “Company” or the “Group”) hereby guarantee the factuality, accuracy and completeness of the contents of this Report and its summary, and shall be jointly and severally liable for any misrepresentations, misleading statements or material omissions therein.**

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

**Mr. Li Dongsheng, Chairman of the Board of the Company, and Mr. Huang Xubin, the Company’s Chief Financial Officer (CFO), equivalent to head for financial affairs and head of the financial department, hereby guarantee that the financial statements carried in this Report are factual, accurate and complete.**

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

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## Definitions

Term	Definition
The “Company”, the “Group”, “TCL”, “TCL Corp.” or “we”	TCL Corporation and its consolidated subsidiaries, except where the context otherwise requires
The “Reporting Period”	The period from 1 January 2018 to 30 June 2018
RMB, RMB’000	Expressed in the Chinese currency of Renminbi, expressed in thousands of Renminbi
TCL Electronics	TCL Electronics Holdings Limited, a majority-owned subsidiary of the Company listed on the Stock Exchange of Hong Kong (stock code: 01070.HK)
TCL Communication	TCL Communication Technology Holdings Limited
CSOT	Shenzhen China Star Optoelectronics Technology Co., Ltd.
Wuhan CSOT	Wuhan China Star Optoelectronics Technology Co., Ltd.
TCL Household Electric Appliance Group	Huizhou TCL Household Electric Appliance Group Co., Ltd.
Tonly Electronics	Tonly Electronics Holdings Limited, a majority-owned subsidiary of the Company listed on the Stock Exchange of Hong Kong (stock code: 01249.HK)
CDOT	China Display Optoelectronics Technology Holdings Limited, a majority-owned subsidiary of the Company listed on the Stock Exchange of Hong Kong (stock code: 00334.HK)
Highly	Highly Information Industry Co., Ltd., a majority-owned subsidiary of the Company listed on the National Equities Exchange and Quotations (stock code: 835281)
Guangdong Juhua	Guangdong Juhua Printed Display Technology Co., Ltd.
China Ray	Guangzhou China Ray Optoelectronic Materials Co., Ltd.
Bank of Shanghai	Bank of Shanghai Co., Ltd. (stock code: 601229.SH), with the Company holding a 4.99% interest
712 Corp.	Tianjin 712 Communication & Broadcasting Co., Ltd. (stock code: 603712.SH), with the Company holding a 19.07% interest as its second largest shareholder
Fantasia	Fantasia Holdings Group Co., Limited
Getech	Getech Ltd.
Thunderbird Technology	Shenzhen Thunderbird Network Technology Co.
Huan Tech	Huan Tech Co., Ltd.
GoLive	GoLive Ltd.
HAWK	Shenzhen HAWK Internet Co., Ltd.

Educational Web	TCL Educational Web Ltd.
TCL Capital	Xinjiang TCL Equity Investment Co., Ltd. and Ningbo TCL Equity Investment Co., Ltd.
Tsinghua Unigroup	Tsinghua Unigroup Co., Ltd.
Activated users	The users who have used the Internet TV network service at least once
Active users	The different users visiting within seven days (the same user visiting more than once within seven days is deemed as one user)
t1 plant or t1 project	The generation 8.5 (or G8.5) TFT-LCD production line of CSOT
t2 plant or t2 project	The generation 8.5 (or G8.5) TFT-LCD (including oxide semiconductor and AMOLED) production line of CSOT
t3 project	The generation 6 (or G6) LTPS• LCD/AMOLED panel production line of CSOT
t4 project	The generation 6 (or G6) flexible LTPS-AMOLED panel production line of CSOT
t6 project	The generation 11 (or G11) new TFT-LCD and AMOLED production line of CSOT
t7 project	The generation 11 (or G11) new ultra-high-definition (UHD) TFT-LCD and AMOLED production line of CSOT
TCL Technology Park	TCL Technology Park (Huizhou) Co., Ltd.
The “Incentive Plan”	The 2018 Restricted Stock Incentive Plan and the Global Innovation Partner Plan of TCL Corporation
The “Stock Ownership Plan”	The First Top 400 and Key Personnel Stock Ownership Plan and the Global Partner Plan of TCL Corporation

## Part II Corporate Introduction and Key Financial Information

### I Corporate Introduction

Stock name	TCL	Stock code	000100
Stock exchange for stock listing	Shenzhen Stock Exchange		
Company name in Chinese	TCL 集团股份有限公司		
Abbr. (if any)	TCL 集团		
Company name in English (if any)	TCL Corporation		
Abbr. (if any)	TCL Corp.		
Legal representative	Li Dongsheng		

### II Contact Information

	Board Secretary
Name	Liao Qian
Address	19/F, Tower B, TCL Building, Gaoxin South First Road, Shenzhen High-Tech Industrial Park, Shenzhen, Guangdong Province, China
Tel.	0755-3331 1666
Fax	0755-3331 3819
Email address	<a href="mailto:ir@tcl.com">ir@tcl.com</a>

### III Other Information

#### 1. Contact Information of the Company

No changes occurred to the registered address, office address and their zip codes, website address and email address of the Company in the Reporting Period.

Registered address	Block 19, Zhongkai Hi-Tech Development District, Huizhou City, Guangdong Province
Office address	TCL Technology Building, 17 Huifeng 3 <sup>rd</sup> Road, Zhongkai Hi-Tech Development District, Huizhou City, Guangdong Province

Zip code	516001
Company website	<a href="http://www.tcl.com">http://www.tcl.com</a>
Email address	ir@tcl.com

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

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 keeping such reports did not change in the Reporting Period.

Newspapers designated by the Company for information disclosure	Securities Times, China Securities Journal, Shanghai Securities News and Securities Daily
Website designated by CSRC for publication of this Report	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Place where this Report is kept	Board Office of TCL Corporation

## IV Key Financial Information

Series No.	Item	H1 2018	H1 2017	Change (%)
1	Operating revenue (RMB)	52,523,748,293	52,174,517,312	0.67%
2	Gross profit (RMB)	9,399,768,981	10,156,485,100	-7.45%
3	EBITDA	6,743,386,144	5,917,050,093	13.97%
4	Profit before taxation (RMB)	2,185,754,559	2,222,380,189	-1.65%
5	Net profit (RMB)	1,700,839,860	1,661,318,811	2.38%
	Net profit attributable to the listed company's shareholders (RMB)	1,585,938,283	1,033,844,701	53.40%
	Net profit before non-recurring gains and losses (RMB)	1,019,677,348	1,161,040,759	-12.18%
	Net profit attributable to the listed company's shareholders before non-recurring gains and losses (RMB)	993,436,861	619,216,177	60.43%
6	Basic earnings per share (RMB/share) (note)	0.1173	0.0846	38.65%
	Diluted earnings per share (RMB/share)	0.1172	0.0846	38.53%
	Basic earnings per share before non-recurring gains and losses (RMB/share)	0.0734	0.0507	44.77%

7	Weighted average return on equity (%)	5.22%	4.47%	Up by 0.75%
	Weighted average return on equity before non-recurring gains and losses (%)	3.27%	2.68%	Up by 0.59%
8	Net cash generated from/used in operating activities (RMB)	4,375,228,294	3,472,540,487	26.00%
	Net cash per share generated from/used in operating activities (RMB/share)	0.3229	0.2569	25.69%
		30 June 2018	31 December 2017	Change (%)
9	Total assets (RMB)	169,916,843,306	160,293,985,835	6.00%
10	Total liabilities (RMB)	112,238,243,837	106,151,046,949	5.73%
11	Debt Asset ratio (%)	66.05%	66.22%	Down by 0.17%
	Debt Asset ratio before borrowings obtained using bank deposit as a pledge and deferred income (%)	64.22%	64.55%	Down by 0.33%
12	Total owners' equity (RMB)	57,678,599,469	54,142,938,886	6.53%
	Owners' equity attributable to the listed company's shareholders (RMB)	29,598,029,676	29,747,067,178	-0.50%
13	Share capital (share)	13,549,648,507	13,514,972,063	0.26%
14	Equity per share attributable to the listed company's shareholders (RMB/share)	2.1844	2.2010	-0.75%

Note: 34,676,444 restricted shares were granted and listed in the Reporting Period, increasing the Company's total number of shares from 13,514,972,063 to 13,549,648,507. Earnings per share for both H1 2018 and H1 2017 were weighted averages based on the total share capital. Based on the total share capital on 30 June 2018, diluted earnings per share for H1 2018 were RMB0.1172, up 38.53% from RMB0.0846 for H1 2017.

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

Total share capital at end of last trading session before disclosure of this Report (share)	13,549,648,507
Fully diluted earnings per share based on latest total share capital above (RMB/share)	0.1172

## 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 Differences under CAS and IFRS

No such differences for the Reporting Period.



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

No such differences for the Reporting Period.

## 3. Reasons for Accounting Data Differences Above

Applicable  Not applicable

## XI Non-Recurring Gains and Losses

Unit: RMB

Item	Amount	Note
Gain or loss on disposal of non-current assets (inclusive of impairment allowance write-offs)	17,143,305	Not applicable
Government subsidies charged to current profit or loss (exclusive of government subsidies given in the Company's ordinary course of business at fixed quotas or amounts as per government's uniform standards)	525,524,829	Not applicable
Gain or loss on fair-value changes in trading financial assets and liabilities & investment income from disposal of trading financial assets and liabilities and available-for-sale financial assets (exclusive of effective portion of hedges that arise in the Company's ordinary course of business)	-6,131,372	An aggregate loss of RMB6.13 million on the fair-value changes of forward forex contracts and on settled such contracts in the Reporting Period
Other	303,187,412	Not applicable
Less: Corporate income tax	-158,561,662	Not applicable
Minority interests (net of tax)	-88,661,090	Not applicable
Total	592,501,422	

## Part III Business Summary

### I Core Business Scope of the Company in Reporting Period

In the Reporting Period, the Group accelerated business restructuring to concentrate more on its two major industries—semiconductor displays and intelligent terminals. Supported by technology and business model innovations, the Group also explored a new business area based on its core business and competencies. As such, the Group has reclassified its main industries into the following three major business groups:

#### 1. The Semiconductor Display Business Group

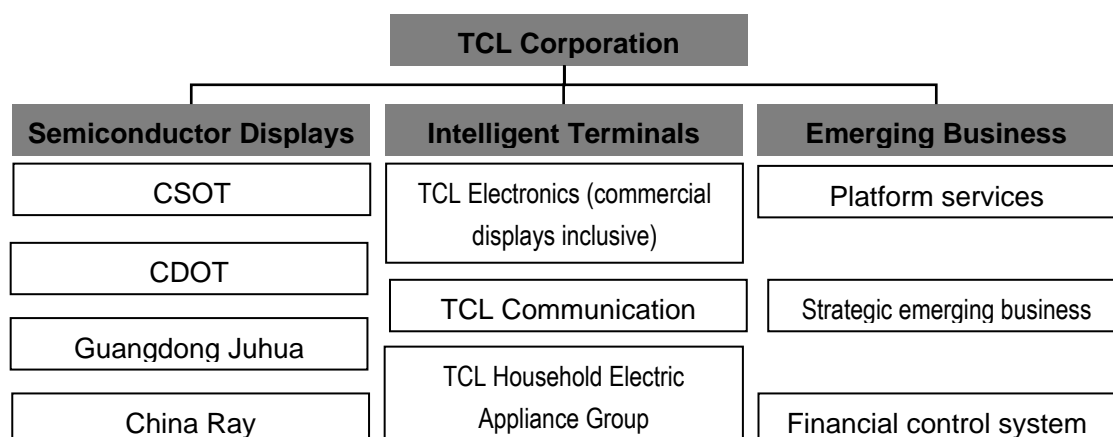
It consists of CSOT, CDOT (0334.HK), new technologies and new business layout in relation to semiconductor displays.

#### 2. The Intelligent Terminal Business Group

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

#### 3. The Emerging Business Group

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



## II Significant Changes in Major Assets

### 1. Significant Changes in Major Assets

See item IV under “Part IV Management Discussion and Analysis” herein.

### 2. Major Assets Overseas

Applicable  Not applicable

## III Core Competitiveness Analysis

Upon 37 years of development, TCL has become a global conglomerate manufacturing smart products and providing Internet application services. Up to now, it has been committed to becoming an icon for China’s intelligent manufacturing and has made a series of remarkable achievements. With the spirit of continuous innovation, the revolution to forge ahead and the courage to reform, TCL has successively promoted the internationalization, the vertical integration of the industrial chain and the “Double +” strategy of “Smart Products + Internet” and “Products + Services”, aiming to optimize resource allocation through global operations and improve operational efficiency by way of the vertical integration of the consumer electronics operations. Keeping abreast of the times and leading technological advancements, TCL has gradually established its competitive advantages for the future.

### 1. Great Strength in R&D and Product Innovation

TCL owns 26 R&D centres worldwide, 4 CNAS-certified labs and close to 8,000 high-quality R&D technicians, covering new semiconductor display technologies and materials such as OLED and QLED, artificial intelligence in industrial application and product terminals, as well as the big data application, smart connection, etc. The National Printing and Flexible Display Innovation Centre launched by Guangdong Juhua is the first national innovation centre in the domestic display sector, while China Ray is part of the Printing OLED Key Material Industrialization Demonstration Programme as a specific R&D priority plan of China. Up to the end of the Reporting Period, TCL has applied for accumulated 33,220 Chinese patents, 7,839 U.S. patents and 9,030 international patents through PCT (including 647 ones during the Reporting Period). In addition, TCL’s innovative products have achieved many honours, including the “Innovative Product for the Year” for TCL Contamination-Free Drum-Inside-Drum Washing Machine at the 13<sup>th</sup> China Household

Appliances Innovation Award in 2017, as well as the “Quantum Dot Technology Golden Award” for TCL Electronics’ high-end flagship X6 XESS TV at IFA Berlin 2017.

## 2. Advantage of Integrated Vertical Industrial Chain

TCL is the first company in China set up the integrated vertical industrial chain of “LCD panels-backlight modules-TV/mobile phones product”. Since 2008, it started to establish control management over the upstream supply chain of consumer electronics and make plans for the core components of home and mobile terminal products. With semiconductor displays as the core business, TCL works on the R&D, design and manufacturing of key materials and components on the upstream side, and integrates display terminal products on the downstream side. Through R&D, manufacturing technology and industrial scale improvements, TCL has formulated an internationally competitive advantage in, collaborative industrial chain. In terms of home terminals, CSOT’s t1 and t2 plants produce large-sized LCD panels, the intelligent manufacturing base in Huizhou specializes in backlight modules, and TCL Electronics manufactures and markets the intelligent home terminals and provides Internet value-added services. As for mobile terminals, CSOT’s t3 plant produces small- and medium-sized LTPS• LCD panels, CDOT specializes in small- and medium-sized backlight units, and TCL Communication manufactures and markets the mobile terminals and provides Internet value-added services. An open and collaborative supply chain is adopted for all the business units for better resource allocation.

## 3. Global Operations and Distribution Network

Through branding efforts and cross-border mergers and acquisitions, TCL has become a leader among Chinese enterprises in internationalization. So far, TCL has more than 75,000 employees across Asia, Americas, Europe and Oceania, providing smart products and application services for over 100 million users around the world. Also, it boasts 26 R&D centres and 22 manufacturing bases worldwide, as well as sales offices in over 80 countries and regions to cover more than 160 countries and regions. Domestically, through the expansion of its 3C Digital Home Experience Centres and exclusive shops, TCL’s distribution network is able to reach every corner of the country. In all, the global operations and distribution network has become one of TCL’s core competitive edges.

## 4. Global Brand Recognition

TCL adopts a multi-brand strategy for the differentiated users. For TV brands, it has TCL, ROWA, Thunderbird, etc. for the domestic market, as well as TCL, Thomson and iFFalcon for the international market. In terms of communication products, it has TCL, Alcatel and Palm brands, also being licensed by BlackBerry to use its brand name globally. On the list of 2017 (The 23<sup>rd</sup>) Top 100 Most Valuable Chinese Brands, TCL ranked No. 5 with a brand value of RMB80.656 billion, topping China's TV manufacturing industry for consecutive 12 years in a row. It is also awarded the top 20 on the ranking of BrandZ Chinese Global Brand Company jointly released in February 2018 by Google, Kantar Millward Brown and WPP. TCL has set up the internationally renowned brand recognition. In terms of the North America market, it has been ranked as the fastest growing TV brand in the U.S. market by the local media for three consecutive years. Due to the years of overseas branding efforts, TCL is well-received among overseas consumers.

#### 5. Scale Advantage and Leading Market Position

TCL's products enjoy a leading market position in the global market. In H1 2018, CSOT's LCD TV panel shipment ranked the world's fifth largest, with its 32" shipment being the second largest worldwide, and its 55" shipment being the largest domestically. In addition, TCL owned the third largest global market share by LCD TV sales volume, with the market share of its curved TVs remaining at the top of domestic brands. Meanwhile, its air conditioner sales volume ranked the world's fifth highest. With such an enormous scale, TCL is enjoying decreasing marginal costs and expenses, as well as increasing profits.

#### 6. Internet Application and Service Competency

Based on its existing intelligent terminals, In 2014, TCL greatly promoted a strategic transformation towards "Intelligent Terminals + Internet" and "Products + Services" business model to provide platforms and services for users in home, mobile and commercial scenarios. This transformation was aimed to catch up the fast development of Internet and foster new competitiveness. Up to the end of June 2018, TCL had accumulated 27.35 million activated users at its home Internet application platforms, and accumulated 45.37 million activated users at the huan.tv terminals; and for its mobile Internet application platforms, there were up to 428 million activated users, with 110 million active users on a monthly basis. TCL's mobile Internet application and service competency has improved rapidly, boosting fast revenue growth.

## Part IV Management Discussion and Analysis

### I Overview

In H1 2018, the Group recorded operating revenue of RMB52.524 billion, representing a year-on-year increase of 0.67%; core business revenue of RMB52.073 billion, rising 1.45% compared to H1 2017; EBITDA of RMB6.743 billion, growing by 13.97% from H1 2017; the net profit of RMB1.701 billion, representing a 2.38% year-on-year increase; the net profit attributable to TCL shareholders of RMB1.586 billion, representing a considerable increase of 53.40% compared to H1 2017; and the net profit attributable to TCL shareholders before non-recurring gains and losses of RMB993 million, a strong growth of 60.43% compared to H1 2017.

The Group achieved considerable year-on-year performance improvements primarily driven by the following factors: (a) profitability of the overseas business continued to improve, TCL Electronics' effort spent on key customer and distribution channel expansion produced remarkable results with fast growth in all the major markets, and TCL Communication achieved remarkable sharp decreases in loss in major overseas markets due to its continuous cost reduction and efficiency improvement; (b) except for CSOT, all the other industries continued to achieve sustainable growth; and (c) attributable to the further transformation, net profit and labour efficiency both noticeable increases with a drop in the overall operating expenses.

The Group's operating revenue grew at a slower pace was mainly driven by (a) CSOT reported a year-on-year decline in revenue resulted from significantly lower prices for its main panel products; and (b) the communication business shrank in scale due to proactive transformation including optimize the business structure and organization process.

During the Reporting Period, the Group accelerated its business and capital restructurings through disposing or selling part of its non-core industries or other ways to focus more on semiconductor displays and intelligent terminals, as well as through developing a new business area based on technological and business model innovations in relation to the core business for new growth drivens. Meanwhile, TCL will serve as the main platform for CSOT's semiconductor display industry. TCL Multimedia, having renamed as TCL Electronics in the Reporting Period, serving as

the main platform for the Group's intelligent terminal industry. TCL Electronics is aiming to build an international business group of TCL-brand intelligent terminals.

**The semiconductor display industry layout is become more maturity, with the largest shipment of TV panels to major brand customers in China.**

With the production ramp-up continuously, the higher yield rate and higher utilization rate on its two G8.5 LCD panel production lines (t1 and t2), CSOT ranks fifth in global LCD TV panel shipment, first in TV panel shipment to major brand customers in China, first in domestic market share of its 55" products, and second in global market share of its 32" LCD panels. The t6 project (the G11 production line), which produces and markets 43", 65", 70" (21:9) and 75" QFHD displays, is anticipated to start production in this fourth quarter. The t7 project (another G11 production line) is positioned to produce large-sized UHD and OLED displays. Meanwhile, CSOT's four production lines cover major large-sized products. CSOT is well positioned for a larger market share of large-sized displays with new technological development plans.

As for small- and medium-sized displays, the Company concentrates on medium- and high-end products and new display technologies application, in order to improve its industrial capacity and product competitiveness rapidly. The t3 project (the G6 LTPS-LCD production line) is seeing an increasing production capacity, yield rate and shipment. The t4 project (the G6 flexible LTPS-AMOLED production line) is scheduled for production in H1 2019, the relevant technological identification and application are well underway on the existing G4.5 test production line. The Company will speed up its product and customer layout to establish technological and efficiency competitiveness in the small- and medium-sized display sector.

At the end of the Reporting Period, the prices for CSOT's major products have stabilized and show an increasing trend. According to data from the independent agency, the 32-inch panel was quoted in this August at a price about 10 U.S. dollars higher than the bottom price in the second quarter. The LCD panel industry is showing a rising demand with the coming selling peak season of the terminal products, as well as with extended display applications in various scenarios, which is expected to contribute to CSOT's revenue growth in the second half of the year.

**The global operation competency has improved and the brand terminal business has achieved significant growth.**

With a well-established global network covering R&D, products, distribution channels and marketing, and featuring strong competencies of global management and localized operations covering supply chain management, IP protection, risk control and compliance, TCL is able to deal with various trade disputes and maintain steady growth in global business. It owns 26 R&D centres, 10 joint labs, 22 manufacturing bases across the world, covering over 160 countries and regions.

TCL's global competitiveness continued to improve as a global brand in the Reporting Period. During this period, the sales volume have reached 13.51 million TV sets, grew by 37.8% year-on-year, of which the overseas sales volume went up 44.4% from a year ago, generating sales revenue that accounted for 46.95% of the Group's total overseas sales revenue.

**Product and technological innovation is seen as a key drivers.**

During the Reporting Period, the Group invested a total of RMB2.558 billion in the R&D, mostly in the strategic direction of new semiconductor display technologies and materials, artificial intelligence (AI) and big data, as well as intelligent manufacturing and the industrial Internet.

In terms of new semiconductor display technologies and materials, Guangdong Juhua has been approved as the "National Printed and Flexible Display Innovation Centre", which is the only national innovation centre in China's display sector. So far, it has established the world's most advanced public printed display platform, and has successfully developed multiple printed display prototypes. As for QLED, a world-leading R&D team has been put in place and high-performance red-light and green-light quantum dot materials have been developed. Meanwhile, China Ray is undertaken development of the evaporated and printed OLED materials, as well as the national "Printed OLED Key Material Commercialization Demonstration Programme", where prototypes have been sent to customers.

As for the AI and big data sector, the Group owns multiple R&D centres. The Hong Kong R&D Centre specializes in intelligent terminal application, as well as key image and big data technologies. The R&D centre in the U.S. works on supporting Internet operation technologies for intelligent terminals. And the Wuhan R&D Centre set up in this April concentrates on algorithms in relation to



AI technologies such as image recognition, as well as voice recognition and understanding.

During the Reporting Period, the Group was incorporating a subsidiary to develop an intelligent manufacturing and industrial Internet system with an independent core intellectual properties (IP). Meanwhile, the plants of CSOT and the smart TV will adopt more intelligent systems to create new competitiveness in industrial manufacturing this year.

During the Reporting Period, the Group applied for 647 international patents through PCT, representing a cumulative number of 9,030, covering Europe, the U.S., South Korea, etc. In addition, up to the end of the Reporting Period, the Group has cumulatively applied for 33,220 Chinese patents and 7,839 U.S. patents. Among those, CSOT has applied for 12,672 Chinese patents and 7,190 U.S. patents, indicating a domestically advanced level of patented technologies in domestically; in terms of the prioritized quantum dot sector, applications have been filed for 648 patents, ranking the world's second highest in this sector.

The Group is committed to providing the intelligent vision world with the best smart experience for users. As a result, the Group will strengthen the advantage of integrated vertical industrial chain, strive for higher marginal profits and lower costs through technological innovation and efficiency improvement, and keep improving its core competitiveness constantly. It will also enhance the competitiveness of its terminal products including smart TV, mobile phone and intelligent household electrical appliance, and expand the emerging business area such as commercial displays and vehicle-mounted displays, as well as plan for an intelligent terminal portal matrix for various application scenarios. Being user-oriented, TCL will build household, individual and commercial eco-systems with premium products and services by means of strategic investment and cooperation.

## **II Performances of Core Business**

In the Reporting Period, the Group accelerated business restructuring to concentrate more on its two major industries—semiconductor displays and intelligent terminals. Supported by technology and business model innovations, it also explored a new business area based on its core business and competencies. As such, the Group has reclassified its main industries into the following three major business groups:

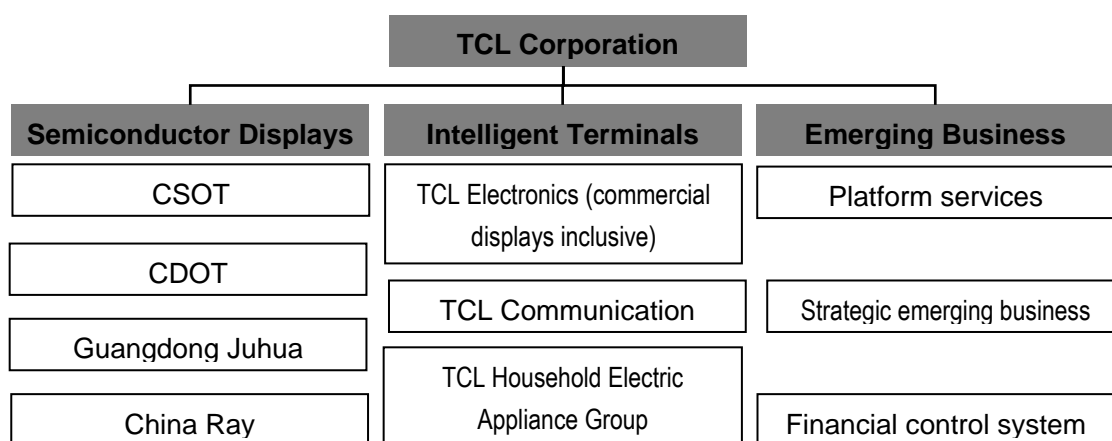
## 1. The Semiconductor Display Business Group

It consists of CSOT, CDOT (0334.HK) , new technologies and new business layout in relation to semiconductor displays. **2. The Intelligent Terminal Business Group**

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

## 3. The Emerging Business Group

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



### (I) The Semiconductor Display Business Group

#### 1. CSOT

CSOT is mainly engaged in the R&D, production and sales of semiconductor display panels and the collaborative management of semiconductor display related industries. While further consolidating its leading position as the TV LCD panel provider, CSOT is actively transforming to be a multi-application-scenario display interface provider. Focusing on this strategy, CSOT keeps optimizing the product and customer structures of the existing LCD panel display business and actively working on development of new products with high added value such as commercial displays, notebook displays and vehicle-mounted displays for faster business transformation. Moreover, CSOT is promoting organizational structure optimization and business model transformation to further improve efficiency and reduce costs for leading efficiency and

effectiveness in the industry.

During the Reporting Period, the two G8.5 lines of CSOT, t1 and t2 projects, maintained full production and sales. A total of 1.750 million glass substrates were inputted, representing a year-on-year increase of 7.49%. By means of continuous improvement of the product structure and product competitiveness, CSOT's large-sized LCD panel shipment remained the fifth in the global, the market share of 32-inch LCD panel products accounted for the second largest in the worldwide, and the shipment of 55-inch UD products ranked second in the world. In the field of large-sized LCD panels, CSOT consecutively ranked first in shipment to major domestic brand customers. The production capacity and yield of the G6 LTPS-LCD production line (t3 project) continued to increase, major brand customers were successfully introduced, and bulk shipments to many brand customers were materialized. The sales volume increased rapidly, with the proportion of full screen products rising significantly. During the Reporting Period, due to the impact of the cycle of the panel industry, the average price of panels of major sizes was significantly lower than that of the same period last year, and the performance of CSOT decreased year-on-year. However, with the advantages of the Group's integrated vertical industrial chain, optimization of the product mix, reduction of costs and increase of efficiency, the business efficiency and profitability of CSOT remained ahead in the global industry. As a result, for H1 2018, CSOT recorded sales revenue of RMB12.14 billion and the EBITDA of RMB4.113 billion.

During the Reporting Period, the construction of the new production line of CSOT was progressing smoothly. The roof-sealing of the plant of the G6 LTPS-AMOLED flexible production line (t4 project) has been completed, and the equipment procurement and move-in are underway. Production is expected to start in the first half of 2019. CSOT has a G4.5 flexible AMOLED trail line in Wuhan, where the product and technology testing is underway, preparing for the rapid mass production of t4 product. The G11 TFT-LCD and AMOLED new display production line (t6 project) had entered the stage of equipment loading and installation. This line is expected to start operation in the fourth quarter of this year, mainly producing 43-inch, 65-inch, 75-inch and other ultra-large-sized new display panels. The G11 UHD new display production line (t7 project) is mainly responsible for the production and sales of 65-inch and 70-inch (21:9) 8K UHD displays and AMOLED display products.

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

## **2. CDOT**

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

During the Reporting Period, due to the sluggish demand for smart phones around the world, shortage of some components and product strategy adjustments of certain customers, the sales volume of CDOT's products declined year-on-year. For the Reporting Period, CDOT reported sales revenue of RMB1.26 billion, showing a year-on-year decrease of 15.6%. However, by active investment in the R&D of new products and technologies, product portfolio adjustments, an increased proportion of mid and high-end products and synergies with CSOT, the average price of CDOT's products maintained steady growth. Meanwhile, following the business strategy direction of being a provider of multi-application-scenario display interface, CDOT is actively working with Internet companies to launch smart home products equipped with its display modules as a way to improve its business composition and enhance its product competitiveness and profitability.

## **3. Guangdong Juhua**

Guangdong Juhua is mainly engaged in the research of key common technologies of printed and flexible display. It cooperates with universities, research institutes, internationally renowned materials and equipment companies and domestic display industry leaders to set up China's public R&D platform for printed display.

As the contractor of the "National Printed and Flexible Display Innovation Center", Guangdong Juhua is the first national innovation center in the display sector. It has applied for nearly 230 invention patents and 50 patents have been granted. During the Reporting Period, Guangdong Juhua has successfully developed the 31-inch printed OLED and 5-inch printed QLED, and completed the development of the 5-inch ultra-high resolution printed AMOLED display prototype with a

resolution ratio of 400 ppi, which is the highest resolution display device completed by the printed technology. Guangdong Juhua has established a world-class R&D team in the QLED field to develop high-performance red-light and green-light quantum dot materials. Moreover, Guangdong Juhua has made remarkable progress in the research and development of the service efficiency and life of Blue-ray devices.

#### **4. China Ray**

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

During the Reporting Period, China Ray sent to manufacturers green-light and red-light material samples based on the evaporation technique, and the R&D of new materials is progressing in a smoothly manner. To be in line with the national overall planning of new display materials and technologies, China Ray simultaneously promotes the development of printed OLED materials, and undertakes the national "Demonstration Project of Commercialization of Printed OLED Display Key Materials", taking the leading position in the field of solution processible green-light materials.

### **(II) The Intelligent Terminal Business Group**

#### **1. TCL Electronics**

TCL Electronics is mainly engaged in the R&D, production and sales of large-screen display terminals, and provides users with Internet value-added services and system solutions. TCL Electronics is aimed at becoming the TCL brand's intelligent terminal business group and achieving market leadership in China and around the world. It leverages its synergies with the semiconductor display business group to comprehensively enhance its cost and efficiency advantages and get into key overseas markets to expand global business. It also enhances its application service competency to improve user experience and customer loyalty. Moreover, TCL Electronics is actively working on the next generation of display products. It promotes business development with technological innovation. By keeping pushing new industries such as commercial displays and smart homes, TCL Electronics further improves its business composition.

During the Reporting Period, the sales revenue of TCL Electronics increased by 14.2% year-on-year to RMB17.15 billion (HK\$21.05 billion). The net profit attributable to the Company as the parent

increased considerably by 237.5% year-on-year to RMB468 million (HK\$572 million). The aggregate sales volume of LCD TVs reached 13.51 million sets (including commercial displays), showing an increase of 37.8% year-on-year.

By deepening its global strategy, TCL Electronics achieved sales volume of 8.285 million TV sets in overseas markets, representing an increase of 44.4% year-on-year. TV sales volume in European market increased by 73.0% year-on-year, showing strong growth in France, Spain and Poland etc. market. The sales volume in emerging markets increased by 51.5% year-on-year, of which the sales volume in Brazil market grew by 82.0% year-on-year, and the sales volume in Philippine market ranked third, while the sales volume in North America market has risen to third. Facing the complicated domestic business environment and fierce market competition, TCL Electronics pressed on with its fine product strategy. It kept increasing the proportion of high-end products, and according to the China Market Monitor statistics, the brand price index of TCL Electronics for the first half of the year was 113, ranking first in China.

## **2. TCL Communication**

TCL Communication operates three major brands, namely TCL, Alcatel and BlackBerry worldwide. It is committed to providing users with innovative mobile terminal products and services. TCL Communication aims to become the world's leading brand of mobile terminal devices and establish a customer-oriented sales system to consolidate the core business of Alcatel. Relying on the technology R&D and resource advantages of the Group, it keeps strengthening product capability to make TCL a mid-end brand to seize the development opportunities arising from the mid-end smart phone market.

During the Reporting Period, due to the fiercer market competition and the impact of reforms and adjustments, 13.705 million units of TCL Communication products were sold with sales revenue of RMB4.66 billion, representing a decrease of 32.1% year-on-year. However, by active organizational adjustment, business unit restructuring and product structure optimization, TCL Communication achieved a steady increase in the average selling price and gross profit margin, and the operating expenses decreased year-on-year. In the first half of the year, the deficit substantially reduced, among which, the North American performance was improved significantly, and profit was gained from the North American business in the first half of the year.

The Group will substantially support the business transformation and performance improvement actions of TCL Communication. The management is confident to promote the sustainable improvement of business and performance of TCL Communication.

### **3. TCL Household Electric Appliance Group**

TCL Household Electric Appliance Group is mainly engaged in the R&D, production and sales of air conditioners, refrigerators, washing machines and health electrical products. It maintains its market position in the second lineup by large-scale development and product innovation. As a result, it further promote scale growth to optimize production costs and efficiency, and conduct product structure optimization by continuous product innovation to achieve better profitability.

During the Reporting Period, TCL Household Electric Appliance Group drove product upgrades based on the category leading strategy. Collaborating on the marketing and brand advantages of TCL Electronics, it improved its customer structure and optimized the domestic and foreign sales mix to achieve high-quality scale growth. In the first half of the year, TCL Household Electric Appliance Group achieved sales revenue of RMB10.63 billion, representing a year-on-year increase of 15.2%.

## **(III) The Emerging Business Group**

### **1. Platform Service Business**

The Platform Service Business provides operational support for the Group's core business and realizes platform operation with the Group's resources to support the development of the core business.

#### **(1) TCL Finance Co., Ltd.**

TCL Finance is positioned to provide financial and management support to the industries and subsidiaries within the Group, and to undertake the functions of efficiency improvement and risk management of Group assets. During the Reporting Period, TCL Finance enhanced its financial support to the Group's business development according to the Group's strategic goals, and further improved its active management ability for capital and risks. The operation of TCL Finance is progressing smoothly.

#### **(2) Supply Chain Finance and Consumer Finance**

The supply chain finance business and the consumer finance business under the Group are positioned to provide financial services for industrial chain partners, Group employees and Group product consumers respectively. During the Reporting Period, relying on the “Jiandanhui” platform, the supply chain finance business was improved internally and externally to provide quality and convenient account receivable financing services for industry chain partners, especially small and medium enterprises.

### **(3) TCL Technology Park**

TCL Technology Park is mainly engaged in the management of immovable property such as factory buildings and land, as well as the related business and supporting services. It increases the return on capital for industries and improves the overall debt asset ratio of the Group through professional operation.

## **2. Strategic Emerging Business**

The Group develops its strategic emerging business based on its core business and competencies. In addition to internal business expansion and independent development, the Group will expand its strategic emerging business also through incubation, investment, strategic cooperation, mergers and acquisitions to seize forward-looking innovation opportunities and foster new growth points.

### **(1) Home Internet Application Service**

The Group operates its TV+ global smart TV platform via Thunderbird Technology. During the Reporting Period, the Company kept deepening its strategic cooperation with Tencent and Southern New Media to build an operation platform featuring “TCL hardware + license provider + content provider”. In May 2018, Thunderbird Technology and JD.com signed the "Intentional Agreement on Strategic Cooperation" for the cooperation focusing on basic capabilities of the Internet, content and services, and ecological resources.

Meanwhile, Thunderbird Technology formed a business model covering the TCL smart TV portal and the third-party living room large-screen portal together with Huan Tech and GoLive, and by the collaboration with the smart home and commercial display industries, an intelligent large-screen ecosystem for multiple application scenarios has been built, which has improved the platform operation capability and value of TCL’s electronic intelligent terminal portal.

Up to the end of the Reporting Period, the total number of activated users of the Company’s smart



Internet TV terminals reached 27.35 million, and the number of average daily active users (different users visiting within seven days, with the same user visiting more than once within seven days deemed as one user) was 12.81 million, with an average daily uptime of 5.15 hours. During the Reporting Period, Thunderbird Technology achieved operating revenue of RMB126 million, representing an increase of more than three times year-on-year.

## **(2) Mobile Internet Application Service**

The Company provides system and application development and operation support for its TCL branded smart phones through the mobile Internet business center of TCL Communication, and provides mobile Internet application products and services to overseas open market users through HAWK. The Company integrates its own and third party services and contents to jointly build a mobile Internet ecosystem to promote profit pattern and business model innovation based on mobile intelligent terminals.

During the Reporting Period, HAWK achieved rapid growth in the number of users and user activity by improving the performance of application products such as cleaning and security as well as optimizing channels. Up to the end of the Reporting Period, the mobile Internet application platform of the Company has accumulated 428 million activated users, and the number of active users has reached 110 million, an increase of 70.87% year-on-year. With an increasing user number and better single-user profit pattern efficiency, the mobile internet application service business generated revenue of RMB102 million for the Reporting Period.

## **(3) Sky-tech Cloud**

Guangzhou Sky-tech Cloud Info Co., Ltd. (“Sky-tech Cloud”), a joint venture between the Company and Cisco, is aimed at providing cloud-based, multi-terminal-accessible video communication and collaborative conferencing systems for Chinese enterprises and users, including web conferencing, online training, webcast and remote support, intelligent video cloud services, and intelligent customer service based on AI technology, which covers call centers, premium customer service and other services. During the Reporting Period, Sky-tech Cloud made breakthroughs in the accumulation of enterprise customers, as well as the development and marketing of its own products. The intelligent customer service business, Tianke Cloud, developed rapidly. The intelligent video business kicked off smoothly with significantly increased operating revenue.

#### **(4) Industrial Internet and Intelligent Manufacturing**

During the Reporting Period, the Group integrated internal resources and established Getech Ltd., which takes China's leading industry-level industrial Internet platform as strategic. Based on the years of manufacturing accumulation of the Group, Getech has formed scenario-based intelligent manufacturing solutions with independent IP to enhance the industrial manufacturing capabilities of the Group through internal implementation. In addition, it has entered the markets of IoT platforms, artificial intelligence, intelligent plants and other fields quickly by deep integration of industrial technology and information technology resources, providing intelligent manufacturing integrated solutions for external parties. Moreover, Getech will actively build an industrial Internet base with the local government to promote industrial intelligence upgrading.

During the Reporting Period, the Group established an overseas merge and acquisition fund, namely TCL Ventures Fund L.P., to join hands with the domestic Shenzhen TCL Strategic Equity Investment Fund Partnership (Limited Partnership) to seek investment targets across the world based on the three strategic core technology directions of the Group for better competitiveness in the Group's core business and promote business upgrade.

### **3. Financial Control System**

For business that are less relevant to the core business but of great potential for future development and returns, the Group manages such an investment portfolio primarily through a financial control system.

#### **(1) Tonly Electronics**

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

During the Reporting Period, Tonly Electronics promoted the intelligentization of products, focusing on intelligent voice speakers and intelligent products related to voice. Due to the rapid development of artificial intelligence and the Internet industry, product upgrades and customer diversification have become industry trends. By cooperation with other well-known Internet customers to jointly develop various smart speakers, The market share of Tonly Electronics increased significantly. In addition, relying on the strong R&D team and technological advantages in the audio sector, Tonly Electronics greatly expanded structural products of new forms and had

made shipments to a number of customers in batches, which has become a new force to drive business growth. During the Reporting Period, Tonly Electronics achieved sales revenue of RMB2.27 billion, representing a year-on-year increase of 26.5% and a net profit of RMB70 million.

## **(2) Highly Information**

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

During the Reporting Period, following the strategy of "sales + service", Highly Information kept diversifying its business and upgrading its professional management capabilities to make itself a computing equipment provider in the intelligent era. Highly Information achieved sales revenue of RMB7.08 billion and a net profit of RMB100 million in the first half of the year.

## **(3) Open Edutainment**

Open Edutainment is the largest web-based degree course provider in China. It is a leader in web-based degree course services and Chinese language proficiency online test services, and also actively develops Internet education and vocational education. During the Reporting Period, the enrollment for the degree courses of Educational Web was successfully completed, and teacher training was steadily processing. On the basis of the existing business, Open Edutainment intensified the integration of educational resources and B2C business development. Up to the end of the Reporting Period, the registered users of the Internet IT vocational education platform increased by 35.4% year-on-year to 13.14 million, ranking first in the peer industry.

## **(4) Venture Capital and Financial Investment Business**

With TCL Capital as the carrier and supported by the industry background and professional management team of the new display and the integrated vertical intelligent terminal chain, the Group focuses on financial investment in prospective and technologically innovative business. Up to the end of the Reporting Period, the funds under TCL Capital's management reached RMB10.135 billion, which focused on investments in new materials, new energy, major consumption and high-end manufacturing industries.

In addition, in the non-core financial investments, the Group cautiously evaluates financial investment opportunities. At present, it holds a 4.99% interest in Bank of Shanghai (601229.SH), a

19.07% interest in 712 Corp. (603712.SH) and a 20.08% interest in Fantasia Holdings (01777.HK).

### III Analysis of Core Business

#### Revenue and Costs

##### (1) Breakdown of Sales Revenue

Unit: RMB

	H1 2018		H1 2017		Change (%)
	Sales revenue	As % of total sales revenue	Sales revenue	As % of total sales revenue	
CSOT	12,144,065,087	23.32%	13,969,731,275	27.22%	-13.07%
TCL Electronics	17,145,948,027	32.93%	15,015,818,297	29.25%	14.19%
TCL Household Electric Appliance Group	10,633,312,285	20.42%	9,226,969,203	17.98%	15.24%
TCL Communication	4,661,220,695	8.95%	6,865,485,568	13.38%	-32.11%
Tonly Electronics	2,270,307,562	4.36%	1,795,341,159	3.50%	26.46%
Highly Information	7,084,621,500	13.61%	7,005,583,818	13.65%	1.13%
Others and eliminated intercompany accounts	-1,866,059,860	Not applicable	-2,550,614,940	Not applicable	
<b>Total sales revenue</b>	<b>52,073,415,296</b>	<b>100.00%</b>	<b>51,328,314,380</b>	<b>100.00%</b>	<b>1.45%</b>

##### (2) Sales Revenue by Operating Segment

Unit: RMB

	H1 2018		H1 2017		Change (%)
	Sales revenue	As % of total sales revenue	Sales revenue	As % of total sales revenue	
Domestic core business	27,626,264,239	53.05%	28,323,153,771	55.18%	-2.46%
Overseas core business	24,447,151,057	46.95%	23,005,160,609	44.82%	6.27%
<b>Total sales revenue</b>	<b>52,073,415,296</b>	<b>100.00%</b>	<b>51,328,314,380</b>	<b>100.00%</b>	<b>1.45%</b>

##### (3) Execution Progress of Major Signed Sales Contracts in Reporting Period

Applicable  Not applicable

#### (4) Changes in Scope of Consolidated Financial Statements for Reporting Period

Compared with H1 2017, 14 newly incorporated subsidiaries were newly included in and 16 subsidiaries (eight dissolved and another eight transferred) were excluded from the consolidation scope for H1 2018.

#### (5) Major Changes in Business Scope or Product or Service Range in Reporting Period

Applicable  Not applicable

#### (6) Major Customers and Suppliers

Major customers:

Total sales to top five customers (RMB)	8,558,458,004
Total sales to top five customers as % of total sales of Reporting Period (%)	16.44%
Total sales to related parties among top five customers as % of total sales of Reporting Period (%)	0.00%

Information about the top five customers:

No.	Customer	Sales revenue contributed for Reporting Period (RMB)	As % of total sales revenue (%)
1	Customer A	2,968,717,040	5.71%
2	Customer B	1,466,616,916	2.82%
3	Customer C	1,422,013,524	2.73%
4	Customer D	1,358,490,021	2.61%
5	Customer E	1,342,620,503	2.58%
Total		8,558,458,004	16.44%

Major suppliers:

Total purchases from top five suppliers (RMB)	7,746,576,503
Total purchases from top five suppliers as % of total purchases of Reporting Period (%)	18.15%
Total purchases from related parties among top five suppliers as % of total purchases of Reporting Period (%)	0.00%

Information about the top five suppliers:

No.	Supplier	Purchase in Reporting Period (RMB)	As % of total purchases (%)
1	Supplier A	2,383,781,204	5.59%
2	Supplier B	2,126,063,432	4.98%

3	Supplier C	1,584,449,303	3.71%
4	Supplier D	908,528,272	2.13%
5	Supplier E	743,754,292	1.74%
Total		7,746,576,503	18.15%

#### IV Analysis of Non-Core Business

Applicable  Not applicable

#### V Analysis of Assets and Liabilities

##### 1. Significant Changes in Asset Composition

Unit: RMB

	30 June 2018		31 December 2017		Change in percentage (%)	Reason for significant change
	Amount	As % of total assets	Amount	As % of total assets		
Monetary capital	17,612,564,104	10.37%	27,459,452,839	17.13%	-6.77%	A rise in cash payments for investment
Investment property	1,553,569,605	0.91%	859,890,091	0.54%	0.38%	New investment properties
Construction in progress	22,926,082,399	13.49%	14,775,237,325	9.22%	4.27%	More ongoing constructions for the t3 and G11 LCD panel production lines

##### 2. Assets and Liabilities at Fair Value

Unit: RMB

Item	Beginning amount	Gain/loss on fair-value changes in Reporting Period	Cumulative fair-value changes charged to equity	Impairment allowance for Reporting Period	Purchased in Reporting Period	Sold in Reporting Period	Ending amount
Financial assets							
1.Financial assets at fair value through profit or loss (exclusive of derivatives)	1,543,843,738	-180,679,730					1,363,164,008
2.Derivative financial assets	687,431,897	-340,281,121					347,150,776

3.Available-for-sale financial assets	1,159,165,770		103,627,499	95,514,998	499,046,749	661,351,323	1,004,973,697
Subtotal of financial assets	3,390,441,405	-520,960,851	103,627,499	95,514,998	499,046,749	661,351,323	2,715,288,481
Financial liabilities	442,942,029	27,462,008					470,404,037

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

Yes  No

### 3. Restricted Asset Rights as at Period-End

Restricted assets	Carrying amount (RMB)	Reason for restriction	As % of total assets	Remark
Monetary capital	897,086,055	Deposited by the finance subsidiary in the central bank as the required reserve	0.53%	Restricted
Monetary capital	211,673,211	Other monetary capital	0.12%	Restricted
Accounts receivable	12,942,671	Factored or put in pledge for loans	0.01%	In pledge
Fixed assets	35,515,676,837	As collateral for loan	20.90%	Collateralized
Intangible assets	2,025,294,686	As collateral for loan	1.19%	Collateralized
Total	38,662,673,460		22.75%	

## VI Investments Made

### 1. Total Investment Amount

Total investment amount in Reporting Period (RMB)	Total investment amount in same period of last year (RMB)	Change (%)
1,342,350,000	4,466,741,029	-69.95%

### 2. Major Equity Investments Made in Reporting Period

Unit: RMB

Investee	Core business scope of investee	Way of investment	Amount of investment	The Company's interest in investee	Funding source	Joint investor	Term of investment	Type of investment	Investment progress as at balance sheet date	Projected earnings	Return on investment in Reporting Period	Any legal matter involved	Disclosure date (if any)	Index to disclosed information (if any)
Shenzhen China Star Optoelectronics Semiconductor Display Technology Co., Ltd.	G11 UHD New Display Product Line	With monetary capital	7,000,000,000	35.89	Self-funded	Shenzhen Major Industry Development Fund One Co., Ltd.	7 years	UHD new displays		-	-	None	22 May 2018	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Total	--	--		--	--	--	--	--	--	-	-	--	--	--

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

Applicable Not applicable

### 4. Financial Investments

#### (1) Securities Investments

Security type	Security code	Security name	Initial investment cost	Measurement method	Beginning carrying amount	Gain/Loss on fair-value changes in Reporting Period	Accumulated fair-value changes charged to equity	Purchased in Reporting Period	Sold in Reporting Period	Gain/loss in Reporting Period	Ending carrying amount	Accounting title	Funding source
--	--	--	--	--	--	--	--	--	--	--	--	--	--
Other securities held at period-end			--	--	--	--	--	--	--	--	--	--	--
Total			--	--	--	--	--	--	--	--	--	--	--



Disclosure date of announcement on Board's consent for securities investments	39 March 2017
Disclosure date of announcement on general meeting's consent for securities investments (if any)	14 April 2017

## (2) Investments in Derivative Financial Instruments

Funding source	Mostly foreign-currency revenue
Legal matters involved (if applicable)	Not applicable
Disclosure date of board announcement approving derivative investment (if any)	26 February 2011
Disclosure date of general meeting announcement approving derivative investment (if any)	Not applicable
Analysis of risks and control measures associated with derivative investments held in Reporting Period (including but not limited to market risk, liquidity risk, credit risk, operational risk, legal risk, etc.)	<p>In order to effectively manage the exchange and interest rate risks of foreign currency assets, liabilities and cash flows, the Company, after fully analyzing the market trend and predicting the operation (including orders and capital plans), adopts forward foreign exchange contracts, options and interest rate swaps to avoid future exchange rate and interest rate risks. As its business scale changes subsequently, the Company will adjust the exchange rate risk management strategy according to the actual market conditions and business plans.</p> <p>Risk analysis:</p> <ol style="list-style-type: none"> <li>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;</li> <li>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;</li> <li>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;</li> <li>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</li> </ol>

	<p>the terms of transaction contracts or product information, the Group will face the legal risks and transaction losses therefrom.</p> <p>Measures taken for risk control:</p> <ol style="list-style-type: none"> <li>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;</li> <li>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;</li> <li>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;</li> <li>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.</li> </ol>
<p>Changes in market prices or fair value of derivative investments in Reporting Period (fair value analysis should include measurement method and related assumptions and parameters)</p>	<p>With the rapid expansion of overseas sales, the Company keeps following the above rules in the operation of forward foreign exchange contracts, interest rate swap contracts and futures contracts to avoid and hedge foreign exchange risks arising from operation and financing. It saw a loss of RMB6.13 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.</p>
<p>Major changes in accounting policies and specific accounting principles adopted for derivative investments in Reporting Period compared to last reporting period</p>	<p>No major changes</p>
<p>Opinion of independent directors on</p>	<p>In view of the fact that nearly half of the main business of the Company is overseas, a wide</p>

derivative investments and risk control	<p>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.</p> <p>The independent directors believe that the financial derivatives transactions carried out by the Company in the first half of 2018 are closely related to the daily operation needs of the Company with controllable risks. The business is in line with the interests of minority shareholders of the company and the relevant laws and regulations.</p>
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Unit: RMB'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	20,369,370	697,160	28,845,060	997,700	-6,130	50.01	1.73
2. Interest rate swaps	4,168,820	83,380	5,074,930	182,700		8.80	0.32
3. Currency swaps	1,633,550	31,840	1,323,320	39,700		2.29	0.07
Total	26,171,740	812,380	35,243,310	1,220,100	-6,130	61.10	2.12

## VII Sale of Major Assets and Equity Investments

### 1. Sale of Major Assets

No such cases in the Reporting Period.

### 2. Sale of Major Equity Investments

Counterparty	Equity interests sold	Date of sale	Selling price (RMB'000)	Amount contributed by the equity interest	Effect of the sale on the Company	Amount contributed by the sale to net profit of the	Pricing principle	Related transaction or not	Relationship between counterparty and the Company	Ownership fully transferred or not	Executed as scheduled or not, if not, state reason and actions	Disclosure date	Index to disclosed information
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				ts to net profit of the Comp any from period -begin ning to date of sale (RMB '000)		Compan y as % of the Compan y's net profit (%)			y		taken		
EVE Energy Co., Ltd.	Huizhou Hyperpo wer Batteries Inc.	28 Decem ber 2017	62,500	-	This transaction is expected to help optimize the structure of the Company's supply chain, with no major effects on the Company.	-	Not	Not applicab le	Not	Not applicable	29 Decemb er 2017	<a href="http://www.cninfo.com.cn/cninfo-new/index">http://www.cninfo.com.cn/cninfo-new/index</a>	

## VIII Major Subsidiaries

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

Unit: RMB

Name	Relationship with the Company	Core businesses	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit attributable to the parent
TCL Electronics Holdings Limited (as a	Wholly/majority-owned subsidiary	Colour TVs	HK\$1.748 billion	19,710,602,338	8,366,920,055	17,300,342,594	626,344,363	467,957,675

consolidated group)								
Shenzhen China Star Optoelectronics Technology Co., Ltd. (as a consolidated group)	Wholly/majority-owned subsidiary	LCD panels	RMB18.342 billion	102,085,490,546	44,679,557,404	12,192,597,373	1,254,203,778	1,218,006,033
Bank of Shanghai Co., Ltd.	Minority-owned subsidiary	Financial services	RMB7.8 billion	1,918,725,038,000	153,177,717,000	19,749,818,000	9,929,881,000	9,371,747,000

## IX Structured Bodies Controlled by the Company

Applicable Not applicable

## X Operating Performance Forecast for January-September 2018

Applicable Not applicable

## XI Risks Facing the Company and Countermeasures

### 1. Impact of Macro-Environment

In the first half of 2018, the trade war between China and the U.S. escalated, with developed countries such as the U.S. imposing a new round of protectionism measures, which has caused uncertainty to the global economy.

Upon 37 years of development, TCL has become a globally renowned brand in the consumer electronics sector. It optimizes the allocation of its resources through its global operations, including sales offices in over 80 countries and regions, as well as manufacturing bases in Mexico, Poland, Southeast Asia, etc. In addition to the U.S., TCL boasts strong brand competitiveness and marketing competency in Latin America, Europe, the Middle East, the Asia Pacific region, etc. Domestically, with a distribution network covering every corner of the country, TCL's major products enjoy top sales. These global operations assure the steady growth of the Company. Going forward, TCL will keep abreast of the dynamics in the international situation and take effective measures to protect its

interests.

## 2. Risk of Technological Transitions

New technologies have emerged in an unprecedented pace in the past decade. Along with the advancement of the “Made in China 2025” program, AI, cloud computing, big data, the industrial Internet and other new technologies and materials have entered the commercialization stage and given rise to many new industries. This means opportunities, but also poses challenges to traditional enterprises. In order to adapt to these external changes, an enterprise must strengthen its existing competitive edges, and at the same time building new technological strength, so as to achieve continuous growth. In the time to come, TCL will enhance product and technological innovation, focus on AI and Internet application technologies, and take it as a priority to make breakthroughs in relation to the semiconductor display technology and the related key materials.

## Part V Significant Events

### I Annual and Extraordinary General Meetings Convened during Reporting Period

#### 1. General Meetings Convened during Reporting Period

Meeting	Type	Investor participation ratio	Convened date	Date of resolution disclosure	Index to disclosed resolutions
First Extraordinary General Meeting of 2018	Both on-site and online voting allowed	37.36%	19 March 2018	19 March 2018	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
2017 Annual General Meeting	Both on-site and online voting allowed	40.56%	18 May 2018	18 May 2018	
Second Extraordinary General Meeting of 2018	Both on-site and online voting allowed	37.04%	6 June 2018	6 June 2018	

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

Applicable Not applicable

### II Interim Dividend Plan

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

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

Commitment	Promisor	Type of commitment	Details of commitment	Date of commitment making	Term of commitment	Fulfillment
Commitments made in time of IPO or refinancing	Huizhou Investment Holding Co., Ltd., Beijing Ziguang Investment Co., Ltd., Xinjiang Dongxing Huarui Equity Investment	Share lockup commitment	These holders of the shares obtained in this private	26 February 2015	25 February 2018	No violations

	Partnership (Limited Partnership), Xinjiang Jiutian Liancheng Equity Investment Partnership (Limited Partnership), CDB Innovation Capital Co., Ltd., BOSCO Asset Management Co., Ltd., CDB Jingcheng (Beijing) Investment Fund Co., Ltd., CDB Equipment Manufacturing Industry Investment Fund Co., Ltd., CITIC Capital (Tianjin) Equity Investment Partnership (Limited Partnership), and Tianjin Chengbai Equity Investment Partnership (Limited Partnership)		placement of TCL shall not transfer these shares within 36 months starting from the end of this private placement.			
Fulfilled on time	Yes					
Specific reasons for failing to fulfill commitments on time and plans for next step (if any)	Not applicable					

#### IV Engagement and Disengagement of Independent Auditor

The interim financial statements are unaudited.

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

Applicable Not applicable

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

Applicable Not applicable

#### VII Insolvency and Reorganization

No such cases in the Reporting Period.

#### VIII Legal Matters

Major lawsuits and arbitrations:



Applicable Not applicable

Other legal matters:

Applicable Not applicable

## **IX Punishments and Rectifications**

No such cases in the Reporting Period.

## **X Credit Quality of the Company as well as Its Controlling Shareholder and Actual Controller**

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.

On 19 May 2017, TCL Corporation (hereinafter referred to as "TCL" or the "Company") was notified by shareholders Mr. Li Dongsheng, Xinjiang Dongxing Huarui Equity Investment Partnership (Limited Partnership) (hereinafter referred to as "Dongxing Huarui") and Xinjiang Jiutian Liancheng Equity Investment Partnership (Limited Partnership) (hereinafter referred to as "Jiutian Liancheng") that they intended to form acting-in-concert parties as a way to help improve the Company's governance competency and management efficiency, so as to maintain stable management and development strategies. They have officially become acting-in-concert parties on TCL after signing the Acting-in-Concert Agreement in Relation to TCL Corporation (hereinafter referred to as the "Agreement") on 19 May 2017. Up to the disclosure date of this Report, these three acting-in-concert parties combined is the biggest shareholder of TCL, with a total of 1,499,833,496 shares in TCL (an 11.07% stake). The biggest shareholder is not involved in any unsatisfied court judgments, large-amount overdue liabilities or the like.

## **XI Equity Incentive Plans, Employee Stock Ownership Plans or Other Incentive Measures for Employees**

1. On 2 March 2018, the Proposal on the 2018 Restricted Stock Incentive Plan and the Global Innovation Partner Plan of TCL Corporation (Draft) and the Summary, the Proposal on the Measures for the Implementation of the 2018 Restricted Stock Incentive Plan and the Global Innovation Partner Plan of TCL Corporation, the Proposal on Asking the General Meeting to Authorize the Board to Handle Matters Related to the 2018 Restricted Stock Incentive Plan and other proposals were approved at the Sixth Meeting of the Sixth Board of Directors. Meanwhile, the Company's independent directors expressed their independent opinion on whether these incentive plans would be good for the Company's sustained development and whether the interests of the Company and its shareholders would be jeopardized in an observable way.
2. On 2 March 2018, the Proposal on the 2018 Restricted Stock Incentive Plan and the Global Innovation Partner Plan of TCL Corporation (Draft) and the Summary, the Proposal on the Measures for the Implementation of the 2018 Restricted Stock Incentive Plan and the Global Innovation Partner Plan of TCL Corporation, and the Proposal on the Awardee List for the 2018 Restricted Stock Incentive Plan were approved at the Third Meeting of the Sixth Supervisory Committee.
3. Following the publication of the awardee list within the Company, the Supervisory Committee's Statement Regarding the Review and Publication of the Awardee List for the 2018 Restricted Stock Incentive Plan and the Global Innovation Partner Plan of TCL Corporation was disclosed to the public on 16 March 2018.
4. On 19 March 2018, the Proposal on the 2018 Restricted Stock Incentive Plan and the Global Innovation Partner Plan of TCL Corporation (Draft) and the Summary, the Proposal on the Measures for the Implementation of the 2018 Restricted Stock Incentive Plan and the Global Innovation Partner Plan of TCL Corporation, and the Proposal on Asking the General Meeting to Authorize the Board to Handle Matters Related to the 2018 Restricted Stock Incentive Plan were approved at the First Extraordinary General Meeting of 2018.

5. On 21 March 2018, the Proposal on the Grant of Restricted Stock to the Awardees, and the Proposal on the Adjustments to the 2018 Restricted Stock Incentive Plan and the Global Innovation Partner Plan of TCL Corporation were approved at the Seventh Meeting of the Sixth Board of Directors and at the Fourth Meeting of the Sixth Supervisory Committee. As such, it was approved to grant 35,944,000 restricted shares to 1,522 eligible awardees on 21 March 2018. The Company's independent directors expressed their independent opinion that the awardee determination method and the grant date were in compliance with the applicable requirements.

6. On 3 April 2018, the First Meeting of the Holders of the First Top 400 and Key Personnel Stock Ownership Plan and the Global Partner Plan of TCL Corporation was convened, where the Proposal on the Establishment of a Management Committee for the Stock Ownership Plan and other proposals were approved, and Fu Heping was elected as the director of this management committee.

7. On 16 May 2018, the Company disclosed the Announcement on the Completion of the Grant of Restricted Stock for 2018. This grant had been completed by the Board. As certain awardees had voluntarily waived their rights to some to-be-granted restricted shares due to lack of subscription funds or other personal reasons, the number of the granted restricted shares had been reduced to 34,676,444, which were listed on 16 May 2018.

8. During the period from 22 June 2018 to 25 July 2018, Shanghai Guotai Junan Securities Asset Management Co., Ltd., the administrator of the Company's Stock Ownership Plan, purchased a total of 99,148,115.00 TCL shares from the secondary market at an average price of RMB2.82/share, which was funded by TCL's specialized fund of RMB279,682,200 for the Stock Ownership Plan. These purchased shares will be locked up from 26 July 2018 to 25 July 2019.

## XII Major Related-Party Transactions

### 1. Continuing Related-Party Transactions

Related party	Relationship with the Company	Type of transaction	Specific transaction	Pricing principle	Transaction price	Total value (RMB'000)	As % of total value of all same-type	Approved transaction line (RMB'	Over approved line or not	Method of settlement	Obtainable market price for	Disclosure date	Index to disclosed information
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							pe transact ions	000)			same-ty pe transact ions		
Bank of Shanghai Co., Ltd.	A legal person of the Company's director	Banking services	Routine services and other financial services, including deposits, loans, financing services, interbank loans, note discounting, low-risk wealth management and intermediary services	The interest rate for the Company's deposits in Bank of Shanghai shall not be lower than the benchmark interest rate stipulated by the People's Bank of China for the same type of deposits for the same period, nor shall it be lower or higher than the interest rate of the Bank of Shanghai	-	9,309.3	1.3%	714,000	Not	-	Not applicable	28 April 2018	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>

				i for any third-party same-kind deposit for the same period.									
CJ Speedex Logistics Co., Ltd.	A legal person of the Company's director	Labour services from related party	Logistics services including transportation and warehousing	Based on the market price and with a fair and reasonable pricing principle, the price is determined according to the operating costs plus the management expenses plus rational profits. The price is finalized in a logistics service agreement signed	-	47,670.83	72.37%	145,000	Not	Not applicable	28 April 2018	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>	

				by both parties.									
Shenzhen Thunderbird Network Technology Co.	A legal person of the Company's director	Labour services from related party	Purchases and sales of whole TV sets and parts, etc.	Raw material costs + processing costs	-	4,609.67	1.92%	20,000	Not	Not applicable	28 April 2018	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>	
Total				--	--	53,211.43	--	236,400	--	--	--	--	--
Large-amount sales return in detail				Not applicable									
Give the actual situation in the Reporting Period (if any) where an estimate had been made for the total value of continuing related-party transactions by type to occur in the Reporting Period				Not applicable									
Reason for significant difference between transaction price and market reference price (if applicable)				Not applicable									

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

No such cases in the Reporting Period.

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

No such cases in the Reporting Period.

## 4. Credits and Liabilities with Related Parties

Unit: RMB'000

Related party occupying the Company's capital	Relationship with the Company	Accounting title of the Company	Balance at 1 January 2018	Total capital occupied in Reporting Period	Total repayment in Reporting Period	Balance at 31 December 2017	Reason for capital occupation	Nature of capital occupation

Active Industries International Limited	Associate	Other receivable	161,795	-	76,121	85,674	Current account	For operating purposes
Good Vision Limited	Associate	Account receivable	5,454	-	5,454	0	For selling products	For operating purposes
Good Vision Limited	Associate	Other receivable	-	6,525	6,512	13	For selling products	For operating purposes
Harvey Holdings Limited	Associate	Account receivable	44	-	44	-	Current account	For operating purposes
Harvey Holdings Limited	Associate	Interest receivable	2,411	1,217	170	3,459	Current account	For operating purposes
Harvey Holdings Limited	Associate	Other receivable	42,353	66	7,495	34,924	Current account	For operating purposes
Kaios Technologies Inc	Associate	Other receivable	43,988	7,857	8,149	43,696	Current account	For operating purposes
T2Mobile International Limited	Joint venture	Account receivable	15,365	-	6,492	8,873	Current account	For operating purposes
T2Mobile International Limited	Joint venture	Other receivable	-	7	1	6	Dividend distribution	For operating purposes
TCL Sun, Inc.	Joint venture	Account receivable	73,999	13,046	-	87,045	For selling products	For operating purposes
TCL Zhiyi Technology Huizhou Co., Ltd.	Joint venture	Account receivable	6,764	8,647	11,899	3,512	For selling products	For operating purposes
TCT Mobile-Telefonos LTDA	Associate's subsidiary	Account receivable	-	17,964	17,964	-	For selling products	For operating purposes
Beijing National Center for Open & Distance Education Co., Ltd.	Joint venture's subsidiary	Account receivable	98	7,674	7,270	502	For selling products	For operating purposes
Beijing WeMed Medical Equipment Co., Ltd.	Associate	Other receivable	3,777	-	3,777	-	For selling products	For operating purposes
Wealthy Way Group Limited	Associate	Other receivable	-	-	-	-	Current account	For operating purposes
Guangdong Regency Optics-Electron Corp.	Associate	Other receivable	184	10	57	137	Current account	For operating purposes

Huan Tech Co., Ltd.	Associate	Other receivable	3	-	-	3	Current account	For operating purposes
Huan Tech Co., Ltd.	Associate	Account receivable	566	18	584	-	For selling products	For operating purposes
Honpe Technology (Shenzhen) Co., Ltd.	Associate's subsidiary	Other receivable	-	8	-	8	Current account	For operating purposes
Honpe Technology (Shenzhen) Co., Ltd.	Associate's subsidiary	Prepayment	1,057	-	1,057	-	Current account	For operating purposes
Hubei Changjiang Hezhi Equity Investment Fund Management Co., Ltd.	Associate	Account receivable	-	70	-	70	For selling products	For operating purposes
Huizhou TCL Real Estate Development Co., Ltd.	Associate's subsidiary	Account receivable	242	80	-	322	For selling products	For operating purposes
Huizhou Gaoshengda Technology Co., Ltd.	Associate's subsidiary	Interest receivable	-	25	-	24	Current account	For operating purposes
Huizhou Shenghua Industrial Co., Ltd.	Associate's subsidiary	Account receivable	-	792	792	-	Current account	For operating purposes
LG Innotek Huizhou Co., Ltd.	Associate	Account receivable	10,705	-	10,705	-	For selling products	For operating purposes
LE SHI ZHI XIN Electronic & Technology Co., Ltd.	Key subsidiary's minority shareholder	Account receivable	-	9,812	9,812	-	For selling products	For operating purposes
LE SHI ZHI XIN Electronic & Technology Co., Ltd.	Key subsidiary's minority shareholder	Prepayment	2,128	-	1,856	272	For selling products	For operating purposes
LE SHI ZHI XIN Electronic & Technology Co., Ltd.	Key subsidiary's minority shareholder	Note receivable	607	2,319	607	2,319	For selling products	For operating purposes



LE SHI ZHI XIN Electronic & Technology Co., Ltd.	Key subsidiary's minority shareholder	Other receivable	800	-	-	800	Current account	For operating purposes
Nanjing Zijin Chuangdong Investment Partnership (Limited Partnership)	Associate	Other receivable	-	296	-	296	Current account	For operating purposes
Qihang Import&Export Limited	Associate's subsidiary	Account receivable	162,963	305,799	385,727	83,034	For selling products	For operating purposes
Qihang Import&Export Limited	Associate's subsidiary	Other receivable	-	205,873	-	205,873	Current account	For operating purposes
Qihang Import&Export Limited	Associate's subsidiary	Interest receivable	-	157	-	157	Current account	For operating purposes
Saipwell TCL Electronics Industrial Technology Co., Ltd.	Associate	Other receivable	-	331,442	-	331,442	Current account	For operating purposes
Saipwell TCL Electronics Industrial Technology Co., Ltd.	Associate	Dividend receivable	88	1	-	89	Dividend distribution	For operating purposes
Saipwell TCL Electronics Industrial Technology Co., Ltd.	Associate	Account receivable	167,674	75,100	-	242,773	Current account	For operating purposes
T2 Mobile (Shanghai) Limited	Associate's subsidiary	Other receivable	3,676	-	3,676	-	Current account	For operating purposes
T2 Mobile (Shanghai) Limited	Associate's subsidiary	Prepayment	1,784	-	1,784	-	Current account	For operating purposes
T2 Mobile (Shanghai) Limited	Associate's subsidiary	Account receivable	404	3,426	-	3830	Current account	For operating purposes
Shanghai Chuangxiang Venture Capital Partnership (Limited Partnership)	Associate	Other receivable	2,180	-	2,180	-	Current account	For operating purposes

Shenzhen Jucai Supply Chain Technology Co., Ltd.	Associate	Other receivable	-	1,280	-	1,280	Current account	For operating purposes
Shenzhen Jucai Supply Chain Technology Co., Ltd.	Associate	Prepayment	-	492	-	492	Current account	For operating purposes
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	Associate	Account receivable	299,867	497,368	403,942	393,293	For selling products	For operating purposes
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	Associate	Other receivable	49,500	115	27,498	22,117	Current account	For operating purposes
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	Associate	Prepayment	22,693	1,789	-	24,482	Current account	For operating purposes
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	Associate	Interest receivable	77	2	-	79	Current account	For operating purposes
Shenzhen Jiutian Matrix Investment Management Co., Ltd.	Associate	Other receivable	-	1	-	1	Current account	For operating purposes
Shenzhen Thunderbird Network Media Co., Ltd.	Associate's subsidiary	Other receivable	695	129	194	630	For selling products	For operating purposes
Shenzhen Thunderbird Network Media Co., Ltd.	Associate's subsidiary	Account receivable	70	347	70	347	For selling products	For operating purposes
Shenzhen Thunderbird Network Technology Co.	Associate	Other receivable	545	188	733	-	For selling products	For operating purposes
Shenzhen Thunderbird Information	Associate's subsidiary	Other receivable	762	6	462	306	For selling products	For operating purposes

Technology Co., Ltd.								
Shenzhen Thunderbird Smart Products Co., Ltd.	Associate's subsidiary	Other receivable	36	40	-	76	For selling products	For operating purposes
Shenzhen Thunderbird Smart Products Co., Ltd.	Associate's subsidiary	Account receivable	3,810	13,647	-	17,457	Current account	For operating purposes
Shenzhen Yisheng Kangyun Technology Development Co., Ltd.	Associate's subsidiary	Other receivable	-	67	67	-	Current account	For operating purposes
CJ Speedex Logistics Co., Ltd.	Joint venture	Prepayment	1,760	39,093	-	40,853	Current account	For operating purposes
CJ Speedex Logistics Co., Ltd.	Joint venture	Account receivable	-	2,284	2,284	-	Current account	For operating purposes
Taiyang Electro-optic (Huizhou) Co., Ltd.	Associate	Dividend receivable	-	1,163	-	1,163	Dividend distribution	For operating purposes
Tianjin 712 Communication & Broadcasting Co., Ltd.	Associate	Dividend receivable	-	4,417	-	4,417	Current account	For operating purposes
Tianjin 712 Communication & Broadcasting Co., Ltd.	Associate	Other receivable	6	-	-	6	Current account	For operating purposes
Urumqi Dongpeng Chuangdong Equity Investment Management Partnership (Limited Partnership)	Associate	Account receivable	-	17	-	17	Current account	For operating purposes
Wuhan Lesheng Times Trading Co., Ltd.	Associate's subsidiary	Prepayment	-	8,052	-	8,052	Current account	For operating purposes
Tibet Dongwei Investment Management Center (Limited Partnership)	Associate	Account receivable	-	2	-	2	Current account	For operating purposes
Xinjiang Dongpeng Weichuang Equity	Associate	Dividend receivable	11,015	-	9,611	1,404	For selling products	For operating purposes

Investment Partnership (Limited Partnership)								
Xinjiang Dongpeng Weichuang Equity Investment Partnership (Limited Partnership)	Associate	Other receivable	40,300	-	40,300	-	Current account	For operating purposes
Xionghua Investment Co., Ltd.	Associate's subsidiary	Other receivable	17	-	17	-	Current account	For operating purposes
Total			1,142,259	1,568,730	1,055,364	1,655,625		

## 5. Other Major Related-Party Transactions

No such cases in the Reporting Period.

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

No such cases in the Reporting Period.

## XIV Major Contracts and Their Execution

### 1. Entrustment, Contracting and Leases

#### (1) Entrustment

No such cases in the Reporting Period.

#### (2) Contracting

No such cases in the Reporting Period.

#### (3) Leases

No such cases in the Reporting Period.

## 2. Major Guarantees

### (1) Guarantees

Unit: RMB'000

Guarantees provided by the Company as the parent for external parties (exclusive of those for subsidiaries)								
Obligor	Disclosure date of announcement on guarantee line	Line of guarantee	Actual occurrence date (date of agreement signing)	Actual guarantee amount	Type of guarantee	Term of guarantee	Having expired or not	Guarantee for related party or not
Canyon Circuit Technology (Huizhou) Co., Ltd.	2018/4/28	50,000	2018/1/17	40,130	Joint-liability	6 months	Not	Not
Huizhou Shenghua Industrial Co., Ltd.	2018/4/28	90,000	2017/12/29	74,400	Joint-liability	9 months	Not	Not
Taiyang Electro-optic (Huizhou) Co., Ltd.	2018/4/28	40,000	2018/2/2	23,380	Joint-liability	7 months	Not	Not
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	2018/4/28	1,100,000	2017/12/20	375,730	Joint-liability	1 year	Not	Not
Huizhou Gaoshengda Technology Co., Ltd.	2018/4/28	90,000	2018/1/29	73,420	Joint-liability	6 months	Not	Not
Total approved line for such guarantees in Reporting Period (A1)		1,729,200		Total actual amount of such guarantees in Reporting Period (A2)		724,480		
Total approved line for such guarantees at end of Reporting Period (A3)		1,729,200		Total actual balance of such guarantees at end of Reporting Period (A4)		587,060		
Guarantees provided by the Company as the parent for subsidiaries								
Obligor	Disclosure date of announcement	Line of guarantee	Actual occurrence date (date of	Actual guarantee amount	Type of guarantee	Term of guarantee	Having expired or not	Guarantee for related

	ent on guarantee line		agreement signing)					party or not
TCL King Electrical Appliances (Huizhou) Co., Ltd.	2018/4/28	3,450,000	2017/10/16	849,840	Joint-liability	1 year	Not	Not
TCL Overseas Electronics (Huizhou) Ltd.	2018/4/28	1,200,000	2018/1/26	534,060	Joint-liability	9 months	Not	Not
TCL King Electrical Appliances (Chengdu) Co., Ltd.	2018/4/28	600,000	2017/7/6	169,480	Joint-liability	15 months	Not	Not
Huizhou TCL Mobile Communication Co., Ltd.	2018/4/28	4,500,000	2017/7/24	2,390,810	Joint-liability	1 year	Not	Not
TCL Communication Technology Holdings Limited	2018/4/28	1,200,000	2017/11/20	1,101,450	Joint-liability	3 years	Not	Not
TCL Mobile Communication (HK) Company Limited	2018/4/28	1,800,000	2018/1/3	648,480	Joint-liability	6 months	Not	Not
TCT Mobile Overseas Limited	2018/4/28	32,000	2018/1/6	11,750	Joint-liability	6 months	Not	Not
TCT Mobile (US) Inc.	2018/4/28	845,000	2018/4/7	363,330	Joint-liability	6 months	Not	Not
TCT Mobile International Limited	2018/4/28	310,000	2018/01/07	88,310	Joint-liability	6 months	Not	Not
TCT Mobile Italy S.R.L	2018/4/28	16,000	2018/04/19	7,070	Joint-liability	6 months	Not	Not
TCT MOBILE-TELEF ONESLTDA.	2018/4/28	120,000	2018/5/31	102,770	Joint-liability	1 year	Not	Not
Wuhan China Star	2018/4/28	7,500,000	2016/4/13	3,652,950	Joint-liability	70 months	Not	Not

Optoelectronics Technology Co., Ltd.									
Shenzhen China Star Optoelectronics Semiconductor Display Technology Co., Ltd.	2018/4/28	21,500,000	2017/4/17	15,239,590	Joint-liability	94 months	Not	Not	
Shenzhen China Star Optoelectronics Technology Co., Ltd.	2018/4/28	6,000,000	2015/3/23	3,358,360	Joint-liability	57 months	Not	Not	
Wuhan China Star Optoelectronics Semiconductor Display Technology Co., Ltd.	2018/4/28	11,600,000	2017/9/29	5,365,200	Joint-liability	90 months	Not	Not	
Huizhou China Star Optoelectronics Technology Co., Ltd.	2018/4/28	5,000,000	2018/3/9	280,450	Joint-liability	5 months	Not	Not	
China Star Optoelectronics International (HK) Limited	2018/4/28	2,600,000	2018/1/8	298,460	Joint-liability	2 years	Not	Not	
China Display Optoelectronics Technology (Huizhou) Co., Ltd.	2018/4/28	1,500,000	2018/1/5	450,750	Joint-liability	1 year	Not	Not	
Wuhan China Display Optoelectronics Technology Co., Ltd.	2018/4/28	300,000	2018/5/11	10,790	Joint-liability	6 months	Not	Not	
Guangdong Juhua Printed Display	2018/4/28	300,000	2017/12/22	10,380	Joint-liability	135 months	Not	Not	

Technology Co., Ltd.								
TCL Home Appliances (HeFei) Co., Ltd.	2018/4/28	1,200,000	2017/10/11	908,750	Joint-liability	15 months	Not	Not
TCL Home Appliances (Zhongshan) Co., Ltd.	2018/4/28	120,000	2018/1/15	90,060	Joint-liability	6 months	Not	Not
TCL Air-Conditioner (Zhongshan) Co., Ltd.	2018/4/28	1,300,000	2016/3/24	1,163,310	Joint-liability	3 years	Not	Not
TCL Air Conditioner (Wuhan) Co., Ltd.	2018/4/28	1,250,000	2018/1/3	962,820	Joint-liability	8 months	Not	Not
Zhongshan TCL Refrigeration Equipment Co., Ltd.	2018/4/28	600,000	2018/1/12	340,680	Joint-liability	6 months	Not	Not
Guangdong TCL Smart Heating & Ventilation Equipment Co., Ltd.	2018/4/28	50,000	2018/5/24	19,640	Joint-liability	6 months	Not	Not
TCL Tonly Electronics (Huizhou) Co., Ltd.	2018/4/28	200,000	2017/12/21	78,900	Joint-liability	4 years	Not	Not
TCL Commercial Information Technology (Huizhou) Co., Ltd.	2018/4/28	140,000	2018/6/11	35,030	Joint-liability	1 month	Not	Not
Huizhou TCL Light Electrical Appliances Co., Ltd.	2018/4/28	55,000	2018/1/17	28,880	Joint-liability	6 months	Not	Not
Huizhou VERY Light Source Technology Co.,	2018/4/28	40,000	2018/1/5	36,210	Joint-liability	8 months	Not	Not



Ltd.								
Highly Information Industry Co., Ltd.	2018/4/28	3,000,000	2016/6/23	1,520,000	Joint-liability	3 years	Not	Not
Beijing Hecheng Nuoxin Technology Co., Ltd.	2018/4/28	200,000	2018/1/1	190,000	Joint-liability	3 years	Not	Not
Beijing Lingyun Data Technology Co., Ltd.	2018/4/28	350,000	2017/6/1	274,470	Joint-liability	15 months	Not	Not
Beijing Sunpiestore Technology Co., Ltd.	2018/4/28	500,000	2012/6/1	340,000	Joint-liability	79 months	Not	Not
Huizhou Cool Friends Network Technology Co., Ltd.	2018/4/28	130,000	2016/6/24	81,990	Joint-liability	30 months	Not	Not
SHIFENDAOJIA Online Service Co., Ltd.	2018/4/28	30,000	2017/12/12	29,250	Joint-liability	8 months	Not	Not
Guangzhou Yunsheng Tianji Technology Co., Ltd.	2018/4/28	1,100,000	2017/9/28	402,000	Joint-liability	12 years	Not	Not
TCL Industries Holdings (HK) Limited	2018/4/28	7,000,000	2016/10/4	3,980,440	Joint-liability	5 years	Not	Not
Huizhou TCL Environment Technology Co., Ltd.	2018/4/28	60,000	2018/4/2	9,710	Joint-liability	3 months	Not	Not
Total approved line for such guarantees in Reporting Period (B1)			96,368,000	Total actual amount of such guarantees in Reporting Period (B2)				39,661,060
Total approved line for such guarantees at end of Reporting Period (B3)			96,368,000	Total actual balance of such guarantees at end of Reporting Period (B4)				45,426,420
Guarantees provided between subsidiaries								
Obligor	Disclosure	Line of	Actual	Actual	Type of	Term of	Having	Guarante

	date of announcem ent on guarantee line	guarantee	occurrence date (date of agreement signing)	guarantee amount	guarantee	guarantee	expired or not	e for related party or not	
-	-	-	-	-	-	-	-	-	
Total approved line for such guarantees in Reporting Period (C1)				Total actual amount of such guarantees in Reporting Period (C2)				-	
Total approved line for such guarantees at end of Reporting Period (C3)				Total actual balance of such guarantees at end of Reporting Period (C4)				-	
Total guarantee amount (total of three kinds of guarantees above)									
Total guarantee line approved in Reporting Period (A1+B1+C1)			98,097,200	Total actual guarantee amount in Reporting Period (A2+B2+C2)				40,385,540	
Total approved guarantee line at end of Reporting Period (A3+B3+C3)			98,097,200	Total actual guarantee balance at end of Reporting Period (A4+B4+C4)				46,013,480	
Total actual guarantee amount (A4+B4+C4) as % of the Company's net assets									155%
Of which:									
Balance of guarantees provided for shareholders, actual controller and their related parties (D)									
Balance of debt guarantees provided directly or indirectly for obligors with over 70% debt asset ratio (E)				16,902,850					
Amount by which total guarantee amount exceeds 50% of the Company's net assets (F)				31,139,960					
Total of three amounts above (D+E+F)				48,042,810					
Joint liability possibly borne or already borne in Reporting Period for outstanding guarantees (if any)				None					
Guarantees provided in breach of prescribed procedures (if any)				None					

## (2) Irregularities in Provision of Guarantees

No such cases in the Reporting Period.

### 3. Other Major Contracts

No such cases in the Reporting Period.

## XV Corporate Social Responsibility (CSR)

### 1. Major Environmental Issues

Name of the Company or subsidiary	Major pollutants	Discharge method	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)	Excess discharge
Shenzhen China Star Optoelectronics Technology Co., Ltd. (Phase I)	COD	Discharged after being duly treated in waste water treatment system	1	Northwest of plant	72.5	260	237.4	1226.05	None
	Ammonia nitrogen				3.64	30	12.0	/	None
Shenzhen China Star Optoelectronics Technology Co., Ltd. (Phase II)	COD	Discharged after being duly treated in waste water treatment system and going through artificial wetland system	1	Artificial wetland to north of plant	18.77	30	36.3	174.89	None
	Ammonia nitrogen				0.23	1.5	0.58	7.7	None
Wuhan China Star Optoelectronics Technology Co., Ltd.	COD	Discharged after being duly treated in waste water treatment system	1	Northwest of plant	9.06-115.64	400mg/L	55.65	353.55	None
	Ammonia nitrogen				0.02--4.40	30	5.57	35.36	None
TCL-AOBO Environmental Protection And Development Co., Ltd.	PM (dust from physical crushing workshop)	Discharged at high altitude after being duly treated in bag	1	Exhaust funnel of physical crushing workshop	2.86	120	0.096	5.76	None
	PM (plastic)		1	Exhaust funnel	3.7	120	0.061	5.76	None

	dust)	dust-cleaning system		of plastic treatment workshop					
Shantou TCL Deqing Environmental Protection Development Co., Ltd.	PM	Discharged at high altitude after being duly treated in bag dust-cleaning system	1	Exhaust funnel of workshop B	15.2	120	0.236	2.9	None
Huizhou TCL Environment Technology Co., Ltd.	COD	Discharged after being duly treated in waste water treatment system	1	West of plant	19.29	90	0.48	3.996	None
	Ammonia nitrogen				1.73	10	0.035	0.444	None

### Construction and Operation of Pollution Prevention Facilities

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

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

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

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

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

### **Emergency Response Plan for Environmental Incidents**

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

### **Environmental Self-Monitoring Program**

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

managed by local environmental authorities or subsidiary websites.

### **Other Environmental Information Required to Be Disclosed**

None

### **Other Related Environmental Information**

None

## **2. Measures Taken to Fulfill the Social Responsibility of Targeted Poverty Alleviation**

### **(1) Targeted Poverty Alleviation Planning**

To respond to the "Opinions of the China Securities Regulatory Commission on the Role of Capital Markets in Serving the Country in Poverty Alleviation", the Company has been fulfilling its social responsibilities in poverty alleviation and public service, especially in the field of education poverty alleviation. The "TCL Hope Engineering Candlelight Awards Program" jointly established by CYDF and Shenzhen TCL Public Welfare Foundation in 2013 is one of the earliest public welfare projects for rural teachers rewards and funding in the country. The investment to this project is over RMB30 million in five years. The purpose of the award is to demonstrate the morality and professional dreams of outstanding rural teachers who have worked hard in the grassroots education front in poverty-stricken areas for their posts, and encourage more outstanding young teachers to take root in rural basic education and promote rural education development.

### **(2) Summary of Work Done for Targeted Poverty Alleviation during H1 2018**

In the 2018 "Candlelight Awards Program", a total of 400 outstanding rural teachers were selected. The 100 rural teacher representatives who participated in the award ceremony were awarded the "Candlelight Award" for dedication, innovation and guidance. The award-winning teachers will receive funding and training support. The individual award, which is worth RMB12,000, includes a cash reward of RMB8,000 and a "candle classroom" training of RMB4,000 in online and offline "Flipped Classroom" per person. In 2018, the coverage of "Candlelight Micro-Loan" was expanded. Except for the outstanding teachers who were rewarded by the "TCL Hope Engineering Candlelight Awards", all the teachers under training in 2018 who belong to the Hope Primary School Teacher Training Office of CYDF can apply for the loan.

### **(3) Results of Targeted Poverty Alleviation Efforts**

Indicators	Measurement Unit	Quantity/Development
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I. Overall summary	—	—
Of which: 1. Cash	RMB'000	5,436.8
2. Goods in cash	RMB'000	
3. Number of registered poor population who have been lifted from poverty	Person	
II. Investment breakdown	—	—
1. Poverty alleviation by industrial development	—	—
Of which: 1.1 Types of poverty alleviation projects by industrial development	—	
1.2 Number of poverty alleviation projects by industrial development	—	
1.3 Investment amount in poverty alleviation projects by industrial development	RMB'000	
1.4 Number of registered poor population who have been lifted from poverty	Person	
2. Poverty alleviation by employment transfer	—	—
Of which: 2.1 Investment amount for vocational skills training	RMB'000	
2.2 Number of persons accepting vocational skills training	Person-time	
2.3 Number of registered poor population who have been employed with the Company's help	Person	
3. Poverty alleviation by migration	—	—
Of which: 3.1 Number of migrated population who have been employed with the Company's help	Person	
4. Poverty alleviation by education	—	—
Of which: 4.1 Investment amount in aiding students in poverty	RMB'000	
4.2 Number of students in poverty who got aid	Person	
4.3 Investment amount in improvement of educational resources in poverty-stricken areas	RMB'000	5,400
5. Poverty alleviation by improving health	—	—
Of which: 5.1 Investment amount in medical and health resources in poverty-stricken areas	RMB'000	
6. Poverty alleviation by ecological protection	—	—
Of which: 6.1 Project types	—	
6.2 Investment amount	RMB'000	
7. Guaranteed bottom	—	—
Of which: 7.1 Investment amount in assisting elderly, women and	RMB'000	

children left behind		
7.2 Number of elderly, women and children left behind who got aid	Person	
7.3 Investment amount in impoverished disabled people	RMB'000	
7.4 Number of impoverished disabled people who got aid	Person	
8. Poverty alleviation by public programmes	—	—
Of which: 8.1 Investment amount in poverty alleviation cooperation between the East and the West areas	RMB'000	
8.2 Investment amount in targeted poverty alleviation	RMB'000	36.8
8.3 Investment amount in public fund for poverty alleviation	RMB'000	
9. Other projects	—	—
Of which: 9.1. Number of projects	—	
9.2. Investment amount	RMB'000	
9.3. Number of registered poor population who have been lifted from poverty	Person	
III. Awards won (for what and at what levels)	—	—

#### (4) Subsequent Plans for Targeted Poverty Alleviation

The Group will keep expanding the existing award scale and publicity impact of the TCL Hope Engineering Candlelight Awards Program, and improving user interaction on the Internet platform for social concern. It will also expand the coverage of the Candlelight Micro-loan Project to solve the financial needs of some rural teachers for their better services in rural education. In order to serve the national poverty alleviation work and respond to the call for targeted poverty alleviation, Shenzhen TCL Public Welfare Foundation initiated an "assistance program for retired private substitute teachers" jointly with CYDF to solve the problem of low-paid and difficult living for retired private substitute teachers in poverty-stricken areas. This program helps and supports retired private substitute teachers who contributed to education in poverty-stricken areas to improve their living conditions by funding services and social advocacy, and encourage them to develop for social respect and self-development.

#### XVI Other Significant Events

No such cases in the Reporting Period.



**XVII Significant Events of Subsidiaries**

Title of current announcement	Disclosure date	Disclosure website
Voluntary Announcement on the Result of Subsidiary TCL Multimedia's Rights Issue	18 January 2018	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Reminder of the IPO Shares of Minority-Owned Subsidiary 712 Corp. Beginning Public Trading	26 February 2018	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Announcement on the Establishment of a Strategic Investment Fund	23 March 2018	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Voluntary Announcement on Subsidiary Thunderbird Technology Bringing in a Strategic Investment from JD.com	2 May 2018	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Announcement on the Construction of the G11 New UHD Display Production Line	22 May 2018	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Voluntary Announcement on the Acquisition by TCL Multimedia of an Interest in TCL Commercial Information Technology (Huizhou) Co., Ltd.	1 June 2018	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>

## Part VI Share Changes and Shareholder Information

### I Share Changes

#### 1. Share Changes

Unit: share

	Before		Increase/decrease in 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	4,513,615,359	33.40%	34,676,444			-2,726,573,811	-2,691,897,367	1,821,717,992	13.44%
1.1 Shares held by government									
1.2 Shares held by state-owned legal persons	1,244,019,136	9.20%				-1,244,019,136	-1,244,019,136	0	0
1.3 Shares held by other domestic investors	3,179,063,876	23.53%	34,392,300			-1,482,554,675	-1,448,162,375	1,730,901,501	12.77%
Among which: Shares held by domestic legal persons	2,694,327,349	19.94%				-1,483,569,375	-1,483,569,375	1,210,757,974	8.94%
Shares held by domestic natural persons	484,736,527	3.59%	34,392,300			1,014,700	35,407,000	520,143,527	3.84%
1.4 Shares held by foreign investors	90,532,347	0.67%	284,144				284,144	90,816,491	0.67%
Among which: Shares held by foreign legal persons	90,532,347	0.67%						90,532,347	0.67%
Shares held by foreign natural persons			284,144				284,144	284,144	0.00%
2. Unrestricted shares	9,001,356,704	66.60%				2,726,573,811	2,726,573,811	11,727,930,515	86.56%
2.1 RMB-denominated ordinary shares	9,001,356,704	66.60%				2,726,573,811	2,726,573,811	11,727,930,515	86.56%
3. Total shares	13,514,97	100.00%	34,676,44			0	34,676,44	13,549,64	100.00%

	2,063		4			4	8,507
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Reasons for share changes:

During the Reporting Period, the 2,727,588,511 shares in a private placement in 2015 were unlocked on 26 February 2018, reducing the restricted shares and increasing the unrestricted shares accordingly; director Mr. Bo Lianming resigned as director, increasing the restricted shares by 1,014,700 shares and decreasing the unrestricted shares accordingly; and 34,676,444 restricted shares were granted and listed as incentives, increasing the total shares from 13,514,972,063 shares to 13,549,648,507 shares.

Approval of share changes:

Applicable Not applicable

Transfer of share ownership:

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

## 2. Changes in Restricted Shares

Unit: share

Shareholder	Beginning restricted shares	Unlocked in Reporting Period	Increase in Reporting Period	Ending restricted shares	Reason for restriction	Date of unlocking
Hubei Changjiang Hezhi Hanyi Equity Investment Fund Partnership (Limited Partnership)	1,059,849,533	0	0	1,059,849,533	IPO restricted shares	2018-12-25
Other	484,736,527	0	1,014,700	485,751,227	Locked-up shares of senior management	9999-99-99
Star Century Enterprises Limited	90,532,347	0	0	90,532,347	IPO restricted shares	2020-12-25
Duiling Xinglan Venture Investment Management	42,521,163	0	0	42,521,163	IPO restricted shares	2020-12-25

Partnership (Limited Partnership)							
Duiling Xingyong Venture Investment Management Partnership (Limited Partnership)	38,380,684	0	0	38,380,684	IPO restricted shares	2020-12-25	
Duiling Xingyuan Venture Investment Management Partnership (Limited Partnership)	37,695,315	0	0	37,695,315	IPO restricted shares	2020-12-25	
Awardees of restricted stock incentives	0	0	34,676,444	34,676,444	Restricted shares granted as incentives	2019-03-21	
Duiling Xinglian Venture Investment Management Partnership (Limited Partnership)	32,311,279	0	0	32,311,279	IPO restricted shares	2020-12-25	
<b>Total</b>	<b>1,786,026,848</b>	<b>0</b>	<b>35,691,144</b>	<b>1,821,717,992</b>	<b>--</b>	<b>--</b>	

## II Issuance and Listing of Securities

Name of stock and its derivative securities	Issue date	Issue price (or interest rate)	Issued number	Listing date	Number approved for public trading	Termination date of transaction	Index to disclosed information	Disclosure date
Stock								
Shares	21 March 2018	1.83	34,674,444	16 May 2018	34,674,444	-	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>	15 May 2018
Corporate bonds, including convertibles and warrant bonds								

Corporate bonds	6 June 2018	5.48	10,000,000	2 July 2018	10,000,000		<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>	27 June 2018
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### III Shareholders and Their Holdings at Period-End

Unit: share

Number of ordinary shareholders		472,986		Number of preferred shareholders with resumed voting rights (if any) (see note 8)				
5% or greater ordinary shareholders or top 10 ordinary shareholders								
Name of shareholder	Nature of shareholder	Shareholding percentage	Ordinary shares	Increase/decrease in Reporting Period	Restricted ordinary shares	Unrestricted ordinary shares	Shares in pledge or frozen	
							Status	Shares
Hubei Changjiang Hezhi Hanyi Equity Investment Fund Partnership (Limited Partnership)	Domestic non-state-owned legal person	7.82	1,059,950,333		1,059,849,533	100,800	In pledge	687,420,000
Huizhou Investment Holding Co., Ltd.	Domestic state-owned legal person	6.48	878,419,747			878,419,747		
Li Dongsheng	Domestic natural person	4.71	638,273,688		478,705,266	159,568,422	In pledge	528,234,787
Beijing Ziguang Investment Co., Ltd.	Domestic state-owned legal person	3.58	484,468,900			484,468,900		
Xinjiang Dongxing Huarui Equity Investment Partnership (Limited Partnership)	Domestic non-state-owned legal person	3.34	452,660,287			452,660,287	In pledge	452,660,287
Xinjiang Jiutian	Domestic	3.02	408,899,521			408,899,521	In pledge	408,899,521

Liancheng Equity Investment Partnership (Limited Partnership)	non-state-owned legal person		21			1		
CDB Innovation Capital Co., Ltd.	Domestic state-owned legal person	2.37	320,685,219			320,685,219		
Guangdong Guangxin Holdings Group Ltd.	Domestic state-owned legal person	2.34	316,834,683			316,834,683		
China Securities Finance Corporation Limited	Domestic non-state-owned legal person	2.31	313,481,602			313,481,602		
BOSC Asset – SPD Bank – BOSC Asset Wealth Asset Management Plan No. 10	Domestic non-state-owned legal person	2.22	301,447,437			301,447,437		
Strategic investor or general legal person becoming top-10 ordinary shareholder due to rights issue (if any) (see note 3)				Huizhou Investment Holding Co., Ltd., Beijing Ziguang Investment Co., Ltd., Xinjiang Dongxing Huarui Equity Investment Partnership (Limited Partnership), Xinjiang Jiutian Liancheng Equity Investment Partnership (Limited Partnership), CDB Innovation Capital Co., Ltd., BOSC Asset Management Co., Ltd. and CDB Jingcheng (Beijing) Investment Fund Co., Ltd. have appeared among the top 10 shareholders due to their subscriptions in a private placement offered by the Company, with their shareholdings locked up from 26 February 2015 to 26 February 2018. For further information, see the Issuance Report and Listing Announcement on the Private Share Placement of TCL Corporation. Meanwhile, Hubei Changjiang Hezhi Hanyi Equity Investment Fund Partnership (Limited Partnership) has also become a top-10 shareholder in a share offering of the Company, with its shareholdings locked up from 25 December 2017 to 25 December 2018. For further information, see the Implementation Report on TCL Corporation's Asset Purchase via Share Offering and the Related-Party Transaction & the New Share Listing Announcement.				
Related or acting-in-concert parties among shareholders above				Mr. Li Dongsheng, Xinjiang Jiutian Liancheng Equity Investment Partnership (Limited Partnership) and Xinjiang Dongxing Huarui Equity Investment Partnership (Limited Partnership) have signed an agreement to become acting-in-concert parties. For further information, see the Reminder of Shareholders Signing an Agreement to Act in concert and the Change of the Biggest Shareholder.				

Top 10 unrestricted ordinary shareholders			
Name of shareholder	Unrestricted ordinary shares	Type of shares	
		Type	Shares
Huizhou Investment Holding Co., Ltd.	878,419,747	RMB-denominated ordinary stock	878,419,747
Beijing Ziguang Investment Co., Ltd.	484,468,900	RMB-denominated ordinary stock	484,468,900
Xinjiang Dongxing Huarui Equity Investment Partnership (Limited Partnership)	452,660,287	RMB-denominated ordinary stock	452,660,287
Xinjiang Jiutian Liancheng Equity Investment Partnership (Limited Partnership)	408,899,521	RMB-denominated ordinary stock	408,899,521
CDB Innovation Capital Co., Ltd.	320,685,219	RMB-denominated ordinary stock	320,685,219
Guangdong Guangxin Holdings Group Ltd.	316,834,683	RMB-denominated ordinary stock	316,834,683
China Securities Finance Corporation Limited	313,481,602	RMB-denominated ordinary stock	313,481,602
BOSC Asset—SPD Bank— BOSC Asset Wealth Asset Management Plan No. 10	301,447,437	RMB-denominated ordinary stock	301,447,437
Central Huijin Asset Management Co., Ltd.	206,456,500	RMB-denominated ordinary stock	206,456,500
Li Dongsheng	159,568,422	RMB-denominated ordinary stock	159,568,422
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	<p>1. It is unknown whether there is, among the above domestic non-state-owned legal-person shareholders, any related parties or acting-in-concert parties as defined in the Measures for the Administration of Disclosure of Shareholder Equity Changes of Listed Companies.</p> <p>2. Huizhou Investment Holding Co., Ltd., Huizhou Investment and Development Co., Ltd. and Central Huijin Asset Management Co., Ltd. are state-owned legal-person shareholders.</p> <p>3. Mr. Li Dongsheng, Xinjiang Jiutian Liancheng Equity Investment Partnership (Limited Partnership) and Xinjiang Dongxing Huarui Equity Investment Partnership (Limited Partnership) have signed an agreement on 19 May 2017 to become acting-in-concert parties. For further information, see the Reminder of Shareholders Signing an Agreement to Act in concert and the Change of the Biggest Shareholder.</p>		
Top 10 ordinary shareholders involved in securities margin trading (if any) (see note 4)	None		

Whether any of the top 10 ordinary shareholders or the top 10 non-restricted ordinary shareholders of the Company conducted any promissory repo during the Reporting Period:

No such cases in the Reporting Period.

#### **IV Change of Controlling Shareholder or Actual Controller in Reporting Period**

Change of the controlling shareholder in the Reporting Period:

The controlling shareholder remained unchanged in the Reporting Period.

Change of the actual controller in the Reporting Period:

The actual controller remained unchanged in the Reporting Period.



## Part VII Directors, Supervisors and Senior Management

### I Changes in Shareholdings of Directors, Supervisors and Senior Management

Their shareholdings did not change in the Reporting Period.

Name	Office title	Incumbent/Former	Gender	Age	Start of tenure	End of tenure	Beginning shareholding (share)	Increase in Reporting Period (share)	Decrease in Reporting Period (share)	Other increase/decrease (share)	Ending shareholding (share)
Li Dongshe	Chairman of the Board and CEO	Incumbent	Male	60	2017-9-1	2020-8-31	638,273,688	-	-	-	638,273,688
Liu Bin	Vice Chairman of the Board	Incumbent	Male	48	2017-9-1	2020-8-31	0	-	-	-	0
He Jinlei	Vice Chairman of the Board	Incumbent	Male	44	2017-9-1	2020-8-31	0	-	-	-	0
Bo Lianming	Director and COO	Incumbent	Male	54	2017-9-1	2020-8-31	4,058,801	-	-	-	4,058,801
HuangXubin	Director and CFO	Incumbent	Male	52	2017-9-1	2020-8-31	3,383,380	-	-	-	3,383,380
Huang Wei	Director	Incumbent	Male	55	2017-9-1	2020-8-31	0	-	-	-	0
Liao Qian	Director and Board Secretary	Incumbent	Male	37	2017-9-1	2020-8-31	0	-	-	-	0
Wu Xiaohui	Director	Incumbent	Female	46	2017-9-1	2020-8-31	0	-	-	-	0

Yan Yan	Independent Director	Incumbent	Male	61	2017-9-1	2020-8-31	0	-	-	-	0
Lu Xin	Independent Director	Incumbent	Female	55	2017-9-1	2020-8-31	0	-	-	-	0
Zhou Guofu	Independent Director	Incumbent	Male	54	2017-9-1	2020-8-31	0	-	-	-	0
Liu Xunci	Independent Director	Incumbent	Male	59	2017-9-1	2020-8-31	0	-	-	-	0
He Zhuohui	Chairman of the Supervisory Committee	Incumbent	Male	52	2017-9-1	2020-8-31	0	-	-	-	0
Mao Tianxiang	Employee Supervisor	Incumbent	Male	37	2017-9-1	2020-8-31	0	-	-	-	0
Qiu Haiyan	Supervisor	Incumbent	Female	43	2017-9-1	2020-8-31	0	-	-	-	0

## II Change of Directors, Supervisors and Senior Management

Name	Office title	Type of change	Date of change	Reason for change
Bo Lianming	President and Executive Director	Departure from the Company	2 March 2018	Personal reasons
Du Juan	COO and Executive Director	Elected	19 March 2018	Nominated by the Board
Wang Cheng	Senior Vice President	Hired	19 March 2018	Nominated by the Board

## Part VIII Corporate Bonds

### I General Information of Corporate Bonds

Bond name	Abbr.	Bond code	Value date	Maturity	Balance (RMB'000)	Coupon rate	Way of principal repayment and interest payment
TCL Corporation's Corporate Bonds Publicly Offered in 2016 to Qualified Investors (Phase 1) (Type 1)	16TCL01	112352.SZ	16 March 2016	16 March 2019	2,500,000	3.08%	Interest payable annually and principal repayable in full upon maturity
TCL Corporation's Corporate Bonds Publicly Offered in 2016 to Qualified Investors (Phase 1) (Type 2)	16TCL02	112353.SZ	16 March 2016	16 March 2021	1,500,000	3.56%	Interest payable annually and principal repayable in full upon maturity
TCL Corporation's Corporate Bonds Publicly Offered in 2016 to Qualified Investors (Phase 2)	16TCL03	112409.SZ	7 July 2016	7 July 2021	2,000,000	3.50%	Interest payable annually and principal repayable in full upon maturity
TCL Corporation's Corporate Bonds Publicly Offered in 2017 to Qualified Investors (Phase	17TCL01	112518.SZ	19 April 2017	19 April 2022	1,000,000	4.80%	Interest payable annually and principal repayable in full upon maturity

1)							
TCL Corporation's Corporate Bonds Publicly Offered in 2017 to Qualified Investors (Phase 2)	17TCL02	112542.SZ	7 July 2017	7 July 2022	3,000,000	4.93%	Interest payable annually and principal repayable in full upon maturity
TCL Corporation's Corporate Bonds Publicly Offered in 2018 to Qualified Investors (Phase 1)	18TCL01	112717.SZ	6 June 2018	6 June 2023	1,000,000	5.48%	Interest payable annually and principal repayable in full upon maturity
Place for bond listing and trading	Shenzhen Stock Exchange						
Investor eligibility	These bonds are for qualified investors only.						
Interest payment and principal repayment during Reporting Period	<p>1. The interest for the period from 16 March 2017 to 15 March 2018 on "16TCL01" and "16TCL02" was paid on 16 March 2018.</p> <p>2. The interest for the period from 19 April 2017 to 18 April 2018 on "17TCL01" was paid on 19 April 2018.</p> <p>3. The interest for the period from 7 July 2017 to 6 July 2018 on "16TCL03" and "17TCL02" was paid on 9 July 2018.</p>						
Where the bond carries any issuer or investor option clause, interchangeable clause or other special clauses, give the execution details (if applicable) of these clauses during the Reporting Period	Not applicable						

## II Bond Trustee and Credit Rating Agency

Bond trustee:							
Name	Guotain Junan Securities Co., Ltd.	Office address	35/F, New World Center, 6009 Yitian Road, Shenzhen,	Contact person	Zhang Chongzhen	Tel.	0755-23976367

			Guangdong Province				
Credit rating agency which conducted follow-up ratings for bonds during Reporting Period:							
Name	China Chengxin Securities Rating Co., Ltd.		Office address	Room 968, Tower 1, 599 Xinye Road, Qingpu District, Shanghai			
Where the bond trustee or credit rating agency was changed during the Reporting Period, explain the reasons, the executed procedures, the impact on investors' interests, etc. (if applicable)		Not applicable					

### III Utilization of Funds Raised through Corporate Bonds

Utilization of funds raised through corporate bonds and procedures executed	The raised funds were used to supplement the working capital and repay debt, which is in strict compliance with the prospectus. And with the authorization of the Board and the general meeting, the related internal decision-making procedure was executed according to the relevant rules approved by the Board and the general meeting.
Ending balance (RMB'000)	0
Operation of special account for raised funds	The Company has signed the Escrow Account Agreement for the Funds Raised through TCL Corporation's Corporate Bonds Publicly Offered in 2015 to Qualified Investors, the Escrow Account Agreement for the Funds Raised through TCL Corporation's Corporate Bonds Publicly Offered in 2017 to Qualified Investors (Phase 1), the Escrow Account Agreement for the Funds Raised through TCL Corporation's Corporate Bonds Publicly Offered in 2017 to Qualified Investors (Phase 2), and the Escrow Account Agreement for the Funds Raised through TCL Corporation's Corporate Bonds Publicly Offered in 2018 to Qualified Investors (Phase 1) with China Development Bank (Guangdong branch) and the Industrial and Commercial Bank of China (Huizhou branch) to ensure that the raised funds will be used as earmarked.
Whether the utilization of raised funds is in line with the promised usages, utilization plan or other promises in the prospectus	Yes

### IV Rating Results of Corporate Bonds

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

According to the Follow-up Rating Report (2018) on TCL Corporation's Corporate Bonds Publicly

Offered in 2016 to Qualified Investors (Phase 1 and 2) and the Follow-up Rating Report (2018) on TCL Corporation's Corporate Bonds Publicly Offered in 2017 to Qualified Investors (Phase 1 and 2) issued by China Chengxin Securities Rating Co., Ltd. on 25 June 2018, the AAA credit status of TCL Corporation and the said bonds was affirmed with a "Stable" outlook.

## **V Credit Enhancement, Repayment Plans and Other Repayment Guarantee Measures**

No credit enhancement measures were taken for the Company's bonds during the Reporting Period. The capital for principal repayment and interest payment for the Company's bonds is primarily sourced from the revenue, net profit and cash flows arising from its ordinary course of business. The repayment guarantee measures include a specialized task group, a strict capital management plan, a bond trustee, the Rules for Bondholders' Meetings, strict information disclosure, and an undertaking to not distribute profits to shareholders, as well as suspend capital expenditures such as major investments in external parties and mergers and acquisitions where the Company fails to, or expectedly fails to, repay the principal and pay the interest on any bonds on time.

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

## **VI Meetings of Bondholders Convened during Reporting Period**

No such cases in the Reporting Period.

## **VII Performance of Duties by Bond Trustee during Reporting Period**

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

### VIII Selected Financial Information of the Company as at 30 June 2018 and 31 December 2017 (or for H1 2018 and H1 2017)

Item	30 June 2018	31 December 2017	Change (%)
Current ratio (%)	108%	111%	-3%
Debt asset ratio (%)	66.05%	66.22%	-0.17%
Quick ratio (%)	64%	77%	-13%
	H1 2018	H1 2017	Change (%)
EBITDA-to-interest coverage (times)	7.73	6.84	12.93%
Debt repayment ratio (%)	100%	100%	0.00%
Interest payment ratio (%)	100%	100%	0.00%

Main reasons for any over 30% YoY movements in the data above:

□Applicable ■Not applicable

### IX Debt Defaults

No debt defaults.

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

No.	Bond abbreviation	Principal amount	Value date	Maturity	Coupon rate	Principal repayment and interest payment
1	13TCL-MTN1	RMB500 million	2013-1-18	5 years	6.05%	Repaid in full on time
2	15TCL-MTN001	RMB500 million	2015-4-2	5 years	5.50%	The interest for the period from 2 April 2017 to 1 April 2018 was paid on 2 April 2018

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

The Company operates in compliance, with a fine credit reputation, strong profitability and a great ability to repay debt. Additionally, it maintains a long-term partnership with the China Development Bank, The Export-Import Bank of China, the Industrial and Commercial Bank of China, etc. As at

30 June 2018, the credit lines granted by the major bank partners to the Company totaled RMB190.8 billion, with RMB63.2 billion utilized and RMB127.6 billion left.

During the Reporting Period, there were no defaults on bank loans.

## **XII Fulfillment of Commitments Made in Bond Prospectuses during Reporting Period**

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

## **XIII Significant Events during Reporting Period**

Except for the aforesaid, there were no other significant events as listed in Article 45 of the Measures for the Issue and Trading of Corporate Bonds during the Reporting Period.

## **XIV Guarantor for Corporate Bonds**

Yes  No



## **Part IX Financial Statements**

### **I Independent Auditor's Report**

The interim financial statements are unaudited by an independent auditor.

# TCL Corporation

## Unaudited Financial Statements

(For the period from 1 January 2018 to 30 June 2018)

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*TCL Corporation*  
*Consolidated Balance Sheet*  
*(In thousands of RMB)*

Assets:	Note IV	30 June 2018	31 December 2017
<b>Current assets:</b>			
Monetary capital	1	17,612,564	27,459,453
Financial assets at fair value through profit or loss	2	1,710,315	2,231,276
Notes receivable	3	5,388,074	6,170,349
Accounts receivable	4	15,192,641	14,747,223
Factored accounts receivable	5	12,943	46,449
Prepayments	6	1,093,650	910,215
Interest receivable	7	65,159	53,622
Dividends receivable	8	9,454	11,103
Other receivables	9	4,293,320	3,853,591
Inventories	10	11,902,029	12,946,303
Other current assets	11	19,724,189	11,666,323
<b>Total current assets</b>		<b>77,004,338</b>	<b>80,095,907</b>
<b>Non-current assets:</b>			
Loans and advances to customers	12	848,778	555,133
Available-for-sale financial assets	13	3,219,690	3,202,055
Long-term equity investments	14	16,177,691	15,352,014
Investment property	15	1,553,570	859,890
Fixed assets	16	29,923,846	32,597,979
Construction in progress	17	22,926,082	14,775,237
Intangible assets	18	6,858,592	6,372,511
R&D expense	19	992,740	872,804
Goodwill	20	420,534	420,534
Long-term prepaid expense	21	942,049	929,124
Deferred income tax assets	22	946,059	871,843
Other non-current assets	23	8,102,876	3,388,953
<b>Total non-current assets</b>		<b>92,912,507</b>	<b>80,198,077</b>
<b>Total assets</b>		<b>169,916,845</b>	<b>160,293,984</b>

Legal representative: \_\_\_\_\_ Head for financial affairs: \_\_\_\_\_ Head of the financial department: \_\_\_\_\_

The attached notes to the financial statements and the supplementary information on pages from AI-1 to AI-5 form an integral part of the financial statements.

*TCL Corporation*  
*Consolidated Balance Sheet (Continued)*  
*(In thousands of RMB)*

Liabilities and shareholders' equity:	Note IV	30 June 2018	31 December 2017
Current liabilities:			
Short-term borrowings	24	12,982,141	15,990,105
Factorage financings	5	12,943	46,449
Borrowings from central bank	25	230,406	39,997
Customer deposits and interbank deposits	26	466,417	310,875
Financial liabilities at fair value through profit or loss	27	470,404	442,942
Notes payable	28	2,018,054	2,061,471
Accounts payable	29	19,183,740	19,324,249
Advances from customers	30	1,311,110	1,307,900
Payroll payable	31	2,029,408	2,292,668
Taxes payable	32	881,750	1,273,792
Interest payable	33	445,218	444,846
Dividends payable	34	71,251	47,110
Other payables	35	19,601,061	16,662,797
Short-term commercial papers payable	36	2,000,000	-
Current portion of non-current liabilities	37	5,759,804	5,927,528
Other current liabilities	38	3,512,002	6,075,073
Total current liabilities		<u>70,975,709</u>	<u>72,247,802</u>
Non-current liabilities:			
Long-term borrowings	39	28,766,500	20,283,381
Bonds payable	40	8,998,248	10,497,248
Long-term payables	41	98,067	76,309
Long-term payroll payable	31	24,906	25,519
Deferred income	42	3,106,229	2,664,877
Deferred income tax liabilities	22	263,028	271,157
Other non-current liabilities		5,561	84,755
Total non-current liabilities		<u>41,262,539</u>	<u>33,903,246</u>
Total liabilities		<u>112,238,248</u>	<u>106,151,048</u>
Share capital	43	13,549,649	13,514,972
Capital reserves	44	6,034,565	5,940,471
Less: Treasury stock		63,458	-
Other comprehensive income	60	(226,052)	219,272
Surplus reserves	45	1,494,300	1,494,300
General reserve	46	361	361
Retained earnings	47	8,808,662	8,577,688
Total equity attributable to shareholders of the Company as the parent		<u>29,598,027</u>	<u>29,747,064</u>
Non-controlling interests		28,080,570	24,395,872
Total shareholders' equity		<u>57,678,597</u>	<u>54,142,936</u>
Total liabilities and shareholders' equity		<u>169,916,845</u>	<u>160,293,984</u>
Legal representative: _____	Head for financial affairs: _____	Head of the financial department: _____	

The attached notes to the financial statements and the supplementary information on pages from AI-1 to AI-5 form an integral part of the financial statements.

*TCL Corporation*  
*Consolidated Income Statement*  
*(In thousands of RMB)*

	Note IV	H1 2018	H1 2017
1. Revenue		52,581,847	52,294,573
Including: Operating revenue	48	52,523,748	52,174,517
Interest income	49	58,099	120,056
2. Operating costs and expenses		<u>52,717,148</u>	<u>51,721,350</u>
Including: Cost of sales	48	42,918,658	41,555,705
Interest expense	49	41,337	32,372
Taxes and surcharges	50	318,542	250,384
Selling expense		4,450,980	4,617,614
Administrative expense		3,911,801	4,272,099
Finance costs	51	441,312	811,233
Asset impairment loss	52	634,518	181,943
Add: Gain on changes in fair value (loss shown in brackets)	53	(103,911)	131,012
Investment income (loss shown in brackets)	54	1,093,958	799,245
Including: Share of profit or loss of joint ventures and associates	54	615,227	386,544
Foreign exchange gain (loss shown in brackets)	49	(24,065)	(9,630)
Asset disposal income (loss shown in brackets)	55	129	5,053
Other income	56	<u>1,052,395</u>	<u>621,840</u>
3. Operating profit		1,883,205	2,120,743
Add: Non-operating income	57	346,754	166,334
Less: Non-operating expense	58	44,203	64,696
4. Profit before tax		2,185,756	2,222,381
Less: Income tax expense	59	<u>484,915</u>	<u>561,061</u>
5. Net profit		<u>1,700,841</u>	<u>1,661,320</u>
5.1 By operational continuity			
Net profit from continuing operations		1,700,840	1,661,320
Net profit from discontinued operations		-	-
5.2 By ownership			
Net profit attributable to owners of the Company as the parent		1,585,939	1,033,845
Net profit attributable to non-controlling interests		114,902	627,474
6. Other comprehensive income, net of tax	60	(472,949)	795,472
6.1 Other comprehensive income that will not be reclassified to profit or loss		-	-
6.2 Other comprehensive income that may subsequently be reclassified to profit or loss		(472,949)	795,472
7. Total comprehensive income		<u>1,227,892</u>	<u>2,456,791</u>
Attributable to shareholders of the Company as the parent		1,140,615	1,850,316
Attributable to non-controlling interests		87,277	606,475
8. Earnings per share	61		
8.1 Basic earnings per share (RMB yuan/share)		0.1173	0.0846
8.2 Diluted earnings per share (RMB yuan/share)		0.1172	0.0846

Legal representative: \_\_\_\_\_ Head for financial affairs: \_\_\_\_\_ Head of the financial department: \_\_\_\_\_

The attached notes to the financial statements and the supplementary information on pages from AI-1 to AI-5 form an integral part of the financial statements.

*TCL Corporation*  
*Consolidated Cash Flow Statement*  
*(In thousands of RMB)*

	Note IV	H1 2018	H1 2017
1. Cash flows from operating activities:			
Proceeds from sale of commodities and rendering of services		56,530,176	55,464,944
Net increase/(decrease) in customer deposits and interbank deposits		155,541	169,757
Net increase/(decrease) in borrowings from central bank		190,409	324,160
Interest, handling charges and commissions received		58,497	120,120
Tax rebates		2,091,698	2,452,084
Cash generated from other operating activities	62	1,881,237	1,193,334
Subtotal of cash generated from operating activities		<u>60,907,558</u>	<u>59,724,399</u>
Payments for commodities and services		(44,915,951)	(43,098,935)
Net increase/(decrease) in loans and advances to customers		(17,635)	(380,261)
Net increase/(decrease) in deposits in central bank and in interbank loans granted		3,048,341	2,617
Cash paid to and for employees		(3,747,850)	(4,231,419)
Taxes paid		(2,535,665)	(1,247,602)
Cash used in other operating activities	63	(8,363,572)	(7,296,258)
Subtotal of cash used in operating activities		<u>(56,532,332)</u>	<u>(56,251,858)</u>
Net cash generated from/used in operating activities	65	<u>4,375,226</u>	<u>3,472,541</u>
2. Cash flows from investing activities:			
Proceeds from disinvestment		13,999,884	9,813,449
Investment income		277,006	438,836
Net proceeds from disposal of fixed assets, intangible assets and other long-lived assets		339,385	147,596
Net proceeds from disposal of subsidiaries or other business units		62,955	60,431
Subtotal of cash generated from investing activities		<u>14,679,230</u>	<u>10,460,312</u>
Payments for acquisition of fixed assets, intangible assets and other long-lived assets		(12,002,181)	(6,879,777)
Payments for investments		(21,037,698)	(14,375,950)
Net payments for acquisition of subsidiaries and other business units		(2,081)	(63,645)
Cash decreased by non-consolidated subsidiaries		-	(1,023)
Subtotal of cash used in investing activities		<u>(33,041,960)</u>	<u>(21,320,395)</u>
Net cash generated from/used in investing activities		<u>(18,362,730)</u>	<u>(10,860,083)</u>

Legal representative: \_\_\_\_\_ Head for financial affairs: \_\_\_\_\_ Head of the financial department: \_\_\_\_\_

The attached notes to the financial statements and the supplementary information on pages from AI-1 to AI-5 form an integral part of the financial statements.

*TCL Corporation*  
*Consolidated Cash Flow Statement (Continued)*  
*(In thousands of RMB)*

	Note IV	H1 2018	H1 2017
3. Cash flows from financing activities:			
Capital contributions received		4,281,683	2,750,071
Including: Capital contributions by non-controlling interests to subsidiaries		4,218,225	2,750,071
Increase in borrowings obtained		26,806,259	23,630,278
Net proceeds from issuance of bonds		1,000,000	2,377,240
Cash generated from other financing activities		-	158,270
		<u>32,087,942</u>	<u>28,915,859</u>
Repayment of borrowings		(22,155,913)	(20,819,683)
Payments for interest and dividends		(2,852,219)	(2,130,719)
Including: Dividends paid by subsidiaries to non-controlling interests		(294,279)	(343,628)
Cash used in other financing activities	64	-	(38,360)
		<u>(25,008,132)</u>	<u>(22,988,762)</u>
Net cash generated from/used in financing activities		<u>7,079,810</u>	<u>5,927,097</u>
4. Effect of foreign exchange rate changes on cash and cash equivalents		130,330	(147,361)
5. Net increase in cash and cash equivalents		(6,777,364)	(1,607,806)
Add: Cash and cash equivalents, beginning of the period		<u>23,281,169</u>	<u>23,815,656</u>
6. Cash and cash equivalents, end of the period	66	<u>16,503,805</u>	<u>22,207,850</u>

Legal representative: \_\_\_\_\_ Head for financial affairs: \_\_\_\_\_ Head of the financial department: \_\_\_\_\_

The attached notes to the financial statements and the supplementary information on pages from AI-1 to AI-5 form an integral part of the financial statements.

*TCL Corporation*  
*Consolidated Statement of Changes in Shareholders' Equity*  
*(In thousands of RMB)*

	H1 2018							Non-control ling interests	Total shareholder s' equity
	Equity attributable to shareholders of the Company as the parent								
	Share capital	Capital reserves	Treasur y stock	Other comprehen sive income	Surplus reserves	General reserve	Retained earnings		
1. Balances as at end of prior year	13,514,972	5,940,471	-	219,272	1,494,300	361	8,577,688	24,395,872	54,142,936
Add: Adjustments for changed accounting policies	-	-	-	-	-	-	-	-	-
2. Balances as at beginning of the year	13,514,972	5,940,471	-	219,272	1,494,300	361	8,577,688	24,395,872	54,142,936
3. Increase/decrease in the period	34,677	94,094	(63,458)	(445,324)	-	-	230,974	3,684,697	3,535,660
3.1 Total comprehensive income	-	-	-	(445,324)	-	-	1,585,939	87,278	1,227,893
3.2 Capital increased and reduced by shareholders	34,677	94,094	(63,458)	-	-	-	-	4,068,026	4,133,339
3.2.1 Capital increased by shareholders	34,677	28,781	(63,458)	-	-	-	-	4,068,026	4,068,026
3.2.2 Share-based payments included in shareholders' equity	-	-	-	-	-	-	-	-	-
3.2.3 Other	-	65,313	-	-	-	-	-	-	65,313
3.3 Profit distribution	-	-	-	-	-	-	-	(470,606)	-
3.3.1 Appropriation to surplus reserves	-	-	-	-	-	-	-	-	-
3.3.2 Appropriation to shareholders	-	-	-	-	-	-	-	(548,993)	-
3.3.3 Other	-	-	-	-	-	-	-	78,387	78,387
4. Balances as at end of the period	<u>13,549,649</u>	<u>6,034,565</u>	<u>(63,458)</u>	<u>(226,052)</u>	<u>1,494,300</u>	<u>361</u>	<u>8,808,662</u>	<u>28,075,527</u>	<u>56,375,000</u>

Legal representative: \_\_\_\_\_ Head for Financial Affairs: \_\_\_\_\_ Head of the financial department: \_\_\_\_\_

The attached notes to the financial statements and the supplementary information on pages from AI-1 to AI-5 form an integral part of the financial statements.



*TCL Corporation*  
*Consolidated Statement of Changes in Shareholders' Equity (Continued)*  
*(In thousands of RMB)*

	Year 2017							Non-control ling interests	Total shareholders' equity
	Equity attributable to shareholders of the Company as the parent								
	Share capital	Capital reserves	Treas ury stock	Other comprehen sive income	Surplus reserves	Genera l reserv e	Retained earnings		
1. Balances as of end of prior year	12,213,682	3,531,323	-	(1,365,163)	1,078,761	361	7,305,927	22,981,890	45,746,781
Add: Adjustments for changed accounting policies	-	-	-	-	-	-	-	-	-
2. Balances as of beginning of the year	12,213,682	3,531,323	-	(1,365,163)	1,078,761	361	7,305,927	22,981,890	45,746,781
3. Increase/decrease in the period	1,301,290	2,409,148	-	1,584,435	415,539	-	1,271,761	1,413,982	8,396,155
3.1 Total comprehensive income	-	-	-	1,584,435	-	-	2,664,395	1,018,218	5,267,048
3.2 Capital increased and reduced by shareholders	1,301,290	2,409,148	-	-	-	-	-	1,182,573	4,893,011
3.2.1 Capital increased by shareholders	1,301,290	2,732,710	-	-	-	-	-	1,059,447	5,093,447
3.2.2 Share-based payments included in shareholders' equity	-	-	-	-	-	-	-	-	-
3.2.3 Other	-	(323,562)	-	-	-	-	-	123,126	(200,436)
3.3 Profit distribution	-	-	-	-	415,539	-	(1,392,634)	(786,809)	(1,763,904)
3.3.1 Appropriation to surplus reserves	-	-	-	-	415,539	-	(415,539)	-	-
3.3.2 Appropriation to shareholders	-	-	-	-	-	-	(977,095)	(786,809)	(1,763,904)
4. Balances as at end of the period	13,514,972	5,940,471	-	219,272	1,494,300	361	8,577,688	24,395,872	54,142,936

Legal representative: \_\_\_\_\_ Head for Financial Affairs: \_\_\_\_\_ Head of the financial department: \_\_\_\_\_

The attached notes to the financial statements and the supplementary information on pages from AI-1 to AI-5 form an integral part of the financial statements.

*TCL Corporation*  
*Balance Sheet of the Company as the Parent*  
*(In thousands of RMB)*

Assets:	Note XII	30 June 2018	31 December 2017
Current assets:			
Monetary capital		3,918,265	1,116,725
Financial assets at fair value through profit or loss		1,225,049	1,543,844
Notes receivable		41,170	23,031
Accounts receivable	1	347,661	340,349
Prepayments		49,132	30,648
Interest receivable		163,969	103,343
Dividends receivable		3,678,349	3,458,737
Other receivables	2	12,020,137	10,078,258
Inventories		803	803
Other current assets		<u>8,203,675</u>	<u>3,065,895</u>
 Total current assets		 <u>29,648,210</u>	 <u>19,761,633</u>
Non-current assets:			
Available-for-sale financial assets	3	1,198,656	1,224,518
Long-term equity investments	4	37,931,248	34,983,565
Investment property		13,710	15,339
Fixed assets		41,121	46,319
Construction in progress		575	1,668
Intangible assets		28,919	26,367
Long-term prepaid expense		<u>462,044</u>	<u>466,049</u>
 Total non-current assets		 <u>39,676,273</u>	 <u>36,763,825</u>
 Total assets		 <u>69,324,483</u>	 <u>56,525,458</u>

Legal representative: \_\_\_\_\_ Head for financial affairs: \_\_\_\_\_ Head of the financial department: \_\_\_\_\_

The attached notes to the financial statements and the supplementary information on pages from AI-1 to AI-5 form an integral part of the financial statements.

*TCL Corporation*  
*Balance Sheet of the Company as the Parent (Continued)*  
*(In thousands of RMB)*

Liabilities and shareholders' equity	Note XII	30 June 2018	31 December 2017
<b>Current liabilities:</b>			
Short-term borrowings		4,360,260	5,675,260
Notes payable		-	176,488
Accounts payable		401,728	133,412
Advances from customers		101	81
Payroll payable		29,918	35,789
Taxes payable		50,899	51,544
Interest payable		420,822	340,461
Dividends payable		4,550	1,082
Other payables		16,492,721	5,896,199
Short-term commercial papers payable		2,000,000	-
Current portion of non-current liabilities		<u>4,231,371</u>	<u>2,422,940</u>
<b>Total current liabilities</b>		<u>27,992,370</u>	<u>14,733,256</u>
<b>Non-current liabilities:</b>			
Long-term borrowings		3,840,956	3,840,956
Bonds payable		8,998,248	10,497,248
Long-term payables		1,909	1,909
Long-term payroll payable		24,906	25,519
Deferred income		<u>70,567</u>	<u>41,953</u>
<b>Total non-current liabilities</b>		<u>12,936,586</u>	<u>14,407,585</u>
<b>Total liabilities</b>		<u>40,928,956</u>	<u>29,140,841</u>
<b>Shareholders' equity:</b>			
Share capital		13,549,649	13,514,972
Capital reserves		8,545,932	8,476,523
Less: Treasury stock		63,458	-
Surplus reserves		1,292,236	1,292,236
Retained earnings		5,107,504	4,114,531
Other comprehensive income		<u>(36,336)</u>	<u>(13,645)</u>
<b>Total shareholders' equity</b>		<u>28,395,527</u>	<u>27,384,617</u>
<b>Total liabilities and shareholders' equity</b>		<u>69,324,483</u>	<u>56,525,458</u>

Legal representative: _____	Head for financial affairs: _____	Head of the financial department: _____
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The attached notes to the financial statements and the supplementary information on pages from AI-1 to AI-5 form an integral part of the financial statements.

*TCL Corporation*  
*Income Statement of the Company as the Parent*  
*(In thousands of RMB)*

	Note XII	H1 2018	H1 2017
1. Operating revenue	5	1,028,097	621,347
Less: Cost of sales	5	932,415	514,460
Taxes and surcharges		6,292	1,074
Selling expense		13,364	9,058
Administrative expense		170,978	145,742
Finance costs		397,461	295,230
Asset impairment loss		920	-
Add: Gain on changes in fair value (loss shown in brackets)		(72,394)	(30,025)
Investment income (loss shown in brackets)	6	2,626,472	658,554
Including: Share of profit or loss of joint ventures and associates	6	490,009	289,681
Asset disposal income (loss shown in brackets)		12	1,346
Other income		-	-
2. Operating profit		2,060,757	285,658
Add: Non-operating income		296,536	4,436
Less: Non-operating expense		9,355	23,773
3. Profit before tax		2,347,938	266,321
Less: Income tax expense		-	-
4. Net profit		2,347,938	266,321
5. Other comprehensive income		22,691	(8,047)
6. Total comprehensive income		2,325,247	258,274

Legal representative: \_\_\_\_\_ Head for financial affairs: \_\_\_\_\_ Head of the financial department: \_\_\_\_\_

The attached notes to the financial statements and the supplementary information on pages from AI-1 to AI-5 form an integral part of the financial statements.

*TCL Corporation*  
*Cash Flow Statement of the Company as the Parent*  
*(In thousands of RMB)*

	Note XII	H1 2018	H1 2017
1. Cash flows from operating activities:			
Proceeds from sale of commodities and rendering of services		994,894	680,570
Interest, handling charges and commissions received		8,874	-
Cash generated from other operating activities		<u>5,849,290</u>	<u>295,978</u>
Subtotal of cash generated from operating activities		<u>6,853,058</u>	<u>976,548</u>
Payments for commodities and services		(1,286,222)	(681,677)
Cash paid to and for employees		(78,554)	(64,671)
Taxes paid		(23,328)	(3,655)
Cash used in other operating activities		<u>(495,200)</u>	<u>(1,640,689)</u>
Subtotal of cash used in operating activities		<u>(1,883,304)</u>	<u>(2,390,692)</u>
Net cash generated from/used in operating activities	7	<u>4,969,754</u>	<u>(1,414,144)</u>
2. Cash flows from investing activities:			
Proceeds from disinvestment		11,499,240	5,909,134
Investment income		1,843,083	1,260,144
Net proceeds from disposal of fixed assets, intangible assets and other long-lived assets		<u>212,232</u>	<u>4,658</u>
Subtotal of cash generated from investing activities		<u>13,554,555</u>	<u>7,173,936</u>
Payments for acquisition of fixed assets, intangible assets and other long-lived assets		(4,286)	(9,735)
Payments for investments		<u>(16,877,016)</u>	<u>(7,415,105)</u>
Subtotal of cash used in investing activities		<u>(16,881,302)</u>	<u>(7,424,840)</u>
Net cash generated from/used in investing activities		<u>(3,326,747)</u>	<u>(250,904)</u>

Legal representative: \_\_\_\_\_ Head for financial affairs: \_\_\_\_\_ Head of the financial department: \_\_\_\_\_

The attached notes to the financial statements and the supplementary information on pages from AI-1 to AI-5 form an integral part of the financial statements.

*TCL Corporation*  
*Cash Flow Statement of the Company as the Parent (Continued)*  
*(In thousands of RMB)*

	Note XII	H1 2018	H1 2017
3. Cash flows from financing activities:			
Capital contributions received		63,458	-
Increase in borrowings obtained		7,181,712	5,080,956
Net proceeds from issuance of bonds		1,000,000	1,000,000
Cash generated from other financing activities		-	8,000
		<u>8,245,170</u>	<u>6,088,956</u>
Subtotal of cash generated from financing activities		8,245,170	6,088,956
Repayment of borrowings		(5,641,532)	(5,151,347)
Payments for interest and dividends		(1,349,906)	(1,386,423)
		<u>(6,991,438)</u>	<u>(6,537,770)</u>
Subtotal of cash used in financing activities		(6,991,438)	(6,537,770)
Net cash generated from/used in financing activities		<u>1,253,732</u>	<u>(448,814)</u>
4. Effect of foreign exchange rate changes on cash and cash equivalents		(34,911)	1,236
5. Net increase in cash and cash equivalents		2,861,828	(2,112,626)
Add: Cash and cash equivalents, beginning of the period		1,056,211	4,906,046
		<u>3,918,039</u>	<u>2,793,420</u>
6. Cash and cash equivalents, end of the period	8	<u>3,918,039</u>	<u>2,793,420</u>

Legal representative: \_\_\_\_\_ Head for financial affairs: \_\_\_\_\_ Head of the financial department: \_\_\_\_\_

The attached notes to the financial statements and the supplementary information on pages from AI-1 to AI-5 form an integral part of the financial statements.

*TCL Corporation*  
*Statement of Changes in Shareholders' Equity of the Company as the Parent*  
*(In thousands of RMB)*

	H1 2018						
	Share capital	Capital reserves	Treasury stock	Other comprehensive income	Surplus reserves	Retained earnings	Total shareholders' equity
1. Balances as of end of prior year	13,514,972	8,476,523	-	(13,645)	1,292,236	4,114,531	27,384,617
Add: Adjustments for changed accounting policies	-	-	-	-	-	-	-
2. Balances as of beginning of the year	13,514,972	8,476,523	-	(13,645)	1,292,236	4,114,531	27,384,617
3. Increase/decrease in the period	34,677	69,409	(63,458)	(22,691)	-	992,973	1,010,910
3.1 Total comprehensive income	-	-	-	(22,691)	-	2,347,938	2,325,247
3.2 Capital increased and reduced by shareholders	34,677	69,409	(63,458)	-	-	-	40,628
3.2.1 Capital increased by shareholders	34,677	28,781	(63,458)	-	-	-	-
3.2.2 Share-based payments included in shareholders' equity	-	-	-	-	-	-	-
3.2.3 Other	-	40,628	-	-	-	-	40,628
3.3 Profit distribution	-	-	-	-	-	(1,354,965)	(1,354,965)
3.3.1 Appropriation to surplus reserves	-	-	-	-	-	-	-
3.3.2 Appropriation to shareholders	-	-	-	-	-	(1,354,965)	(1,354,965)
4. Balances as at end of the period	13,549,649	8,545,932	(63,458)	(36,336)	1,292,236	5,107,504	28,395,527

Legal representative: \_\_\_\_\_

Head for Financial Affairs: \_\_\_\_\_

Head of the financial department: \_\_\_\_\_

The attached notes to the financial statements and the supplementary information on pages from AI-1 to AI-5 form an integral part of the financial statements.

*TCL Corporation*  
*Statement of Changes in Shareholders' Equity of the Company as the Parent (Continued)*  
*(In thousands of RMB)*

	Year 2017						
	Share capital	Capital reserves	Treasury stock	Other comprehensive income	Surplus reserves	Retained earnings	Total shareholders' equity
1. Balances as of end of prior year	12,213,682	4,724,955	-	30,871	876,697	1,351,771	19,197,976
Add: Adjustments for changed accounting policies	-	-	-	-	-	-	-
2. Balances as of beginning of the year	<u>12,213,682</u>	<u>4,724,955</u>	-	<u>30,871</u>	<u>876,697</u>	<u>1,351,771</u>	<u>19,197,976</u>
3. Increase/decrease in the period	1,301,290	3,751,568	-	(44,516)	415,539	2,762,760	8,186,641
3.1 Total comprehensive income	-	-	-	(44,516)	-	4,155,393	4,110,877
3.2 Capital increased and reduced by shareholders	1,301,290	3,751,568	-	-	-	-	5,052,858
3.2.1 Capital increased by shareholders	1,301,290	2,732,710	-	-	-	-	4,034,000
3.2.2 Share-based payments included in shareholders' equity	-	-	-	-	-	-	-
3.2.3 Other	-	1,018,858	-	-	-	-	1,018,858
3.3 Profit distribution	-	-	-	-	415,539	(1,392,633)	(977,094)
3.3.1 Appropriation to surplus reserves	-	-	-	-	415,539	(415,539)	-
3.3.2 Appropriation to shareholders	-	-	-	-	-	(977,094)	(977,094)
4. Balances as at end of the period	<u>13,514,972</u>	<u>8,476,523</u>	-	<u>(13,645)</u>	<u>1,292,236</u>	<u>4,114,531</u>	<u>27,384,617</u>

Legal representative: \_\_\_\_\_ Head for Financial Affairs: \_\_\_\_\_ Head of the financial department: \_\_\_\_\_

The attached notes to the financial statements and the supplementary information on pages from AI-1 to AI-5 form an integral part of the financial statements.



*TCL Corporation*  
*Notes to Financial Statements*  
*(For the period from 1 January 2018 to 30 June 2018)*  
*(The amounts in tables are expressed in thousands of RMB)*

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I General information

(I) Place of incorporation and organization

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

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

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

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

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

During the years of 2013 and 2014, the exercise of 58,870,080 stock options increased the share

*TCL Corporation*  
*Notes to Financial Statements*  
*(For the period from 1 January 2018 to 30 June 2018)*  
*(The amounts in tables are expressed in thousands of RMB)*

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

*TCL Corporation*  
*Notes to Financial Statements*  
*(For the period from 1 January 2018 to 30 June 2018)*  
*(The amounts in tables are expressed in thousands of RMB)*

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I General information (continued)

(I) Place of incorporation and organization (continued)

Upon the approval of the CSRC on 13 February 2014 with the ZJXX [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 ZJXX [2015] Document No.151, the Company issued 2,727,588,511 shares in a private placement. As such, the share capital of the Company increased from 9,452,413,271 shares to 12,228,359,702 shares.

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

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

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

As at 30 June 2018, the total issued share capital of the Company was 13,549,648,507 shares. Please refer to Note IV, 43 for details.

The registered address of the Company is: Block 19, Zhongkai Hi-Tech Development District, Huizhou City, Guangdong Province.

*TCL Corporation*  
*Notes to Financial Statements*  
*(For the period from 1 January 2018 to 30 June 2018)*  
*(The amounts in tables are expressed in thousands of RMB)*

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I General information (continued)

(II) Scope of business

The Company and its subsidiaries (collectively referred to as the "Company") are primarily engaged in the research, development, production and sales of electronic products and communication devices, new optoelectronic products, liquid crystal display devices, hardware and electrical equipment, VCD and DVD video players, home theater systems, computers and accessories, batteries, digital satellite TV receivers, building materials, general machinery; computer technology services; freight and warehousing; film and television equipment maintenance; waste materials recycling; real estate development and management on legally acquired land; import and export of goods and technologies; venture capital business and venture capital consultation, management of entrusted venture capital of other venture capital institutions, entrepreneurial management services for start-up enterprises, participation in the initiation of venture capital institutions and investment management advisory institutions.

(III) Authorization of financial statements for issue

These financial statements were authorized for issue by the Company's Board of Directors on 28 August 2018.

II 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 Corporation*  
*Notes to Financial Statements*  
*(For the period from 1 January 2018 to 30 June 2018)*  
*(The amounts in tables are expressed in thousands of RMB)*

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II Significant accounting policies and accounting estimates (continued)

4 Accounting period

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

5 Operating cycle

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

6 Base currency for bookkeeping

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

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

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

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

(2) Business combinations involving enterprises under common control

(a) Individual financial statement

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

*TCL Corporation*  
*Notes to Financial Statements*  
*(For the period from 1 January 2018 to 30 June 2018)*  
*(The amounts in tables are expressed in thousands of RMB)*

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II 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.

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II Significant accounting policies and accounting estimates (continued)

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

(3) Business combinations involving enterprises not under common control

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

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

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

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

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

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

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

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II Significant accounting policies and accounting estimates (continued)

8 Method for compiling consolidated financial statements

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

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

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

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

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

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

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



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

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

10 Foreign currency business and translation of foreign currency statement

(1) Foreign currency transactions

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

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

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

(2) Translation of foreign currency financial statement

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

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

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II Significant accounting policies and accounting estimates (continued)

11 Financial instruments

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

(1) Classification of financial instrument

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

(2) Recognition basis and measurement method of financial instruments

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

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

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

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

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

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

Where the transfer of financial assets meets the conditions for termination of recognition, based on the consideration received for the transfer, the difference between the sum of accumulated changes in the fair value originally recorded in the owner's equity (in the case where the transferred financial assets are available for sale) and the book value of transferred financial assets is included in the current profit and loss. If the transfer of financial assets does not meet the conditions for termination of recognition, the Company will keep the recognition of the transferred financial assets and

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recognize the consideration received as a financial liability.

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II Significant accounting policies and accounting estimates (continued)

11 Financial instruments (continued)

(4) Conditions for the derecognition of financial liabilities

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

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

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

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

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

(6) Impairment of financial assets

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

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

If impairment of a financial assets measured at amortized cost, such as held-to-maturity investments and loans, occurs, the Company recognizes the difference between the present value of the future cash flows of the financial asset and the book value as the impairment loss, which is included in the current profit and loss. The expected present value of future cash flows is determined by discounting the original real interest rate of the financial asset, taking into account the value of the relevant collateral.

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

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II Significant accounting policies and accounting estimates (continued)

11 Financial instruments (continued)

(6) Impairment of financial assets (continued)

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

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

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

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

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

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

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

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II Significant accounting policies and accounting estimates (continued)

12 Recognition criteria and accrual method for allowance for doubtful accounts receivable

Receivables refer to non-derivative financial assets that are not quoted in active markets with fixed or determinable recovery amounts.

The Company adopts allowance method for the accounting of losses arising from doubtful accounts.

(1) Recognition criteria for allowance for doubtful accounts receivable

On the balance sheet date, the Company checks the book value of receivables. In case that objective evidence of impairment of the receivables is found, the impairment loss is recognized and allowance for impairment is made. When one of the following conditions occurs, it indicates that receivables are impaired:

(a) The debtor is in serious financial difficulties;

(b) The debtor violated the terms of a contract, broke a contract or failed to perform its debt service obligations;

(c) The creditor made concessions to the debtor with financial difficulties due to economic or legal considerations;

(d) The debtor is likely to go bankrupt or undergo other financial restructuring;

(e) Other objective evidence of impairment of receivables.

(2) Recognition criteria for doubtful accounts

(a) The debtor has gone bankrupt or died, and the receivables still cannot be recovered after the liquidity of bankrupt's estate or legacy; or

(b) The debtor failed to perform its debt-servicing obligations and the obvious characteristics indicate that it is impossible or unlikely to recover the receivables.

Receivables confirmed to be unrecoverable are written off as dead accounts after being approved by the Board of Directors.

(3) Accrual method for allowance for doubtful accounts

The Company conducts separate impairment tests on receivables with significant single amount. In case that objective evidence of impairment of a receivable is found, the impairment loss is recognized based on the difference between the present value of estimated future cash flows and the book value, and allowance for doubtful accounts is made. For receivables with insignificant single amount, impairment test may be conducted individually, or classify the receivables into portfolios based on similar credit risk characteristics together with receivables without impairment after being separately tested, and determinate the impairment losses according to a certain proportion of the receivable portfolio in the balance on the balance sheet date, and made allowance for doubtful accounts. The allowance for doubtful accounts determined according to a certain proportion of the balance of the receivables portfolio can fully reflect the actual impairment losses incurred by each item, and the accrual ratio are reasonably determined based on the actual loss rate of the portfolios, taking account of the current situation. Similar credit risk characteristics are determined by the Company and its subsidiaries based on actual conditions, including but not limited to industry



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distribution, regional distribution, overdue status and aging. If a receivable is not possible to be reasonably classified into a portfolio with similar credit risk characteristics, a separate impairment test is required.

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II Significant accounting policies and accounting estimates (continued)

13 Inventories

(1) Classification of inventories

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

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

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

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

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

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

(4) Inventory system

The Company adopts a perpetual inventory system for inventory management.

(5) Amortization method of turnover materials

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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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II Significant accounting policies and accounting estimates (continued)

14 Long-term equity investments

Long-term equity investments comprise the Company's long-term equity investments in its subsidiaries, and the Group'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 Group 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 Group has significant influence on their financial and operating policies.

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

(1) Recognition of initial investment cost

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

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

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

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

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

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

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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.

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II Significant accounting policies and accounting estimates (continued)

14 Long-term equity investment (continued)

(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 continue to be recognized, and the book value of long-term receivable items is offset, subject to other book value of the long-term equity that substantially constitutes the net investment of the investee. Finally, after the above-mentioned treatment, if the Company still bears additional obligations in accordance with the investment contract or agreement, the provisions are recognized according to the estimated obligations and included in the current investment losses.

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

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

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II Significant accounting policies and accounting estimates (continued)

14 Long-term equity investment (continued)

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

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

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

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

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

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

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

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

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(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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II Significant accounting policies and accounting estimates (continued)

14 Long-term equity investment (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 Group 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.

15 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.

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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 is used.

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II Significant accounting policies and accounting estimates (continued)

16 Fixed assets

(1) Recognition criteria for fixed assets

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

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

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

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

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

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

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

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

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II Significant accounting policies and accounting estimates (continued)

16 Fixed assets (continued)

(3) Depreciation method for fixed assets

Fixed assets are depreciated by the straight-line method. The depreciation rate of various fixed assets is determined according to the estimated service life and estimated residual value (the estimated residual value is 0-3% of the original value). The depreciation rate of classified fixed assets is as follows:

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

Fixed assets renovation is amortized evenly over the benefit period.

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

17 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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II Significant accounting policies and accounting estimates (continued)

18 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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II Significant accounting policies and accounting estimates (continued)

19 Intangible assets

Intangible assets are recorded at the actual cost at the time of acquisition. The service life of intangible assets are 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 period
Land use rights	The length of land use rights or the Company's operating period, whichever is shorter
Patents and non-patent technologies	10 years or service life, years of benefit or effective years specified by law, whichever is shorter
Software usage fee	Benefit period
Other	Benefit 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 is 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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II Significant accounting policies and accounting estimates (continued)

20 Long-term prepaid expenses

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

21 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.

22 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 price, interest of the difference is accrued on time during the repurchase period, and included in financial expenses.

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II Significant accounting policies and accounting estimates (continued)

23 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 estimate are handled as follows:

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

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

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



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II Significant accounting policies and accounting estimates (continued)

24 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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II Significant accounting policies and accounting estimates (continued)

25 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 is made to the identified related costs or expenses or total owner's equity after the vesting date.

26 Revenue recognition

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

(1) Sales of goods

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

(2) Sales of property development products

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

(3) Rendering of services

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

(4) Interest income

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

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II Significant accounting policies and accounting estimates (continued)

26 Revenue recognition (continued)

(5) User fee income

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

27 Government subsidies

(1) Category

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

(2) Recognition of government subsidies

If a government subsidy is a monetary asset, it is measured at the amount received or receivable. If a government subsidy is a non-monetary asset, it is measured at fair value. If the fair value cannot be obtained in a reliable way, it is measured at the nominal amount (RMB1). Government subsidies measured at nominal amounts are recognized directly in the current profit and loss.

(3) Accounting treatment

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

If the government subsidies related to income are used to compensate related costs or losses in the subsequent period, it is recognized as deferred income and included in the current profit and loss or offset costs in the period in which the related costs or losses are recognized; government subsidies used to compensate costs or losses incurred by the enterprise are directly included in the current profit or loss or offset related costs. For government subsidies related to the daily activities of the enterprise, the R&D and VAT-related subsidies are included in other income; other government subsidies offset related costs according to the nature of economic activities. Government subsidies not related to daily activities of the Company are included in the non-operating income and expenditure. For preferential loans for policy discount, if the government finance department appropriates the discounted funds to the lending bank, the borrowing cost is accounted for according to the principal of the loan and the policy preferential interest rate, with the amount actually received as the entry value of the loan. If the government The government finance department directly appropriates the interest subsidy funds to the Company, the subsidies offset the related borrowing costs.

In case that a confirmed government subsidy is required to be returned, the book value of the asset is adjusted if the book value of relevant assets is offset at the initial recognition; if there is related deferred income, the book balance of deferred income is offset, and the excess is included in the current profit and loss; in case of other circumstances, it is directly included in the current profit and loss.

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II Significant accounting policies and accounting estimates (continued)

28 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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II Significant accounting policies and accounting estimates (continued)

29 Leases

(1) Accounting treatment of operating leases

- (a) The rental fees paid by the Company for the lease of assets are apportioned on a straight-line basis over the entire lease term without deduction of the rent-free period and included in the current expenses. The initial direct costs associated with the lease transactions paid by the Company are included in the current expenses.

When the lessor of an asset bears the expenses related to the lease that should be borne by the Company, the Company deducts the part of the expenses from the total rent. The deducted rental expenses are apportioned during the lease term and included in the current expenses.

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

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

(2) Financial leased assets

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

(3) Financial leasing assets

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

30 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.

31 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

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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.

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II Significant accounting policies and accounting estimates (continued)

32 Changes in major accounting policies and estimates

On May 28, 2017, the Group began to adopt the “Accounting Standards for Business Enterprises No. 42 – Non-current Assets and Disposal Groups Held for Sale and Discontinued Operations” newly published by the Ministry of Finance in 2017, and on June 12, 2017, the Company began to adopt the “Accounting Standards for Business Enterprises No. 16 – Government Subsidies” revised by the Ministry of Finance in 2017. In addition, the financial statements are prepared in accordance with the Notice on Revising and Issuing of the Format of General Corporate Financial Statements (CK (2017) No. 30, hereinafter referred to as the “Financial Accounting Document No. 30”) issued by the Ministry of Finance on December 25, 2017.

Non-current assets held for sale, disposal groups and discontinued operations:

The “Accounting Standards for Business Enterprises No. 42 – Non-current Assets and Disposal Groups Held for Sale and Discontinued Operations” specifies the classification and measurement of non-current assets or disposal groups held for sale, requiring that the profit and loss of both continuous and discontinued operations be presented separately in the profit statement, and that the information of non-current assets or disposal groups held for sale and discontinued operations be disclosed in the notes in detail. The standards require the adoption of future applicable law and bring no impact on the comparable annual financial statements.

Government subsidies:

Prior to the implementation of the “Accounting Standards for Business Enterprises No. 16 – Government Subsidies” (revised), government subsidies included in the current profit and loss are presented as non-operating income.

After the implementation of the “Accounting Standards for Business Enterprises No. 16 – Government Subsidies” (revised), government subsidies related to assets offset the book value of relevant assets. Government subsidies related to income are recognized as deferred income, which are included in the current profit and loss in the period in which relevant cost or loss is recognized, or offset the relative costs. Among the government subsidies related to daily activities of the Company, the R&D-related subsidies and VAT refunds are included in other income. Government subsidies not related to daily activities of the Company are included in non-operating income and expenditure.

The Group adopts the future applicable method to account for the above changes in accounting policies, and the change in accounting policies brings no impact on the comparable annual financial statements.

Presentation of asset disposal income:



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Prior to the release of the Financial Accounting Document No. 30, the Group's disposal profit and loss recognized in the sales of non-current assets (other than financial instruments, long-term equity investments and investment properties) or disposal groups (other than subsidiaries and industries) classified as held for sale or disposal groups, and the disposal profit and loss arising from disposal of fixed assets, construction in progress and intangible assets that are not classified as held for sale, are presented in the "non-operating income" or "non-operating expenses" item. After the publish of Financial Accounting Document No. 30, the disposal profit and loss arising from the sale of the above assets are presented in the "Asset Disposal Income" item by the Group. For the above-mentioned changes in the presentation items, the Group adopts the retrospective adjustment method for accounting treatment and adjusts the comparative data of the previous year.

33 Correction of previous accounting errors

During the Reporting Period, there is no corrections in the previous accounting errors made by the Company.

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III Taxes

1 Value-added tax

According to the national tax regulations, the Company's product sales revenue, taxable sales service income and income from sales of intangible assets or property are identified as VAT income. The income from main products is calculated at the rate of 17%, and the value-added tax is paid based on the difference after deducting the allowable deduction of input tax in the current period.

According to the Notice of the Ministry of Finance and the State Taxation Administration on the Pilot of Changing Business Tax to Value-Added Tax (CS [2016] No. 36) and related regulations published by the Ministry of Finance and the State Taxation Administration, from May 1, 2016, the business incomes such as leasing services, property management services, financial services, consulting services, logistics services of the Company and its subsidiaries are subject to VAT, and business tax is applied to these business before May 1, 2016.

In respect of the import goods of the Company, the amount of VAT payable is calculated based on the composing taxable price and the tax rate stipulated in the "Provisional Regulations on Value Added Tax of the People's Republic of China", and collected by the customs. The goods directly exported by the Company are all taxed according to the provisions of value-added tax first, and then, subject to the tax refund approved by the tax authorities in charge of export tax rebate in accordance with the prescribed tax rebate rate in the national export tax rebate plan.

The overseas subsidiaries of the Company pay the corresponding value-added tax according to the local tax laws.

2 Urban maintenance and construction tax

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

3 Education surcharges

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

4 Dike protection fee

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

5 Property tax

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

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III Taxes (continued)

6 Corporate income tax

The Company calculates corporate income tax based on the taxable income in accordance with the “Enterprise Income Tax Law of the People's Republic of China”. The situation of each member of the Company varies and so do tax rates. Domestic enterprises under the Company pay corporate income tax in accordance with the relevant provisions of the “Enterprise Income Tax Law of the People's Republic of China”. All overseas subsidiaries of the Company (including subsidiaries in the Hong Kong Special Administrative Region of the People's Republic of China) calculate and pay taxes in accordance with the taxes and tax rates applicable according to local tax laws.

7 Personal income tax

Personal income tax of income paid to employees by the Company is withheld by the Company on behalf of employees in accordance with to the relevant national tax regulations.

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IV Notes to Consolidated Financial Statements

1 Monetary Capital

	30 June 2018			31 December 2017		
	In original currency	Exchang e rate	In RMB	In original currency	Exchange rate	In RMB
Cash			5,354			4,759
Cash at bank –			16,498,451			23,276,412
RMB	10,681,617	1.0000	10,681,617	15,800,948	1.0000	15,800,948
USD	737,021	6.6166	4,876,571	1,072,179	6.5342	7,005,832
HKD	812,804	0.8431	685,275	175,953	0.8358	147,062
EUR	14,791	7.6534	113,201	20,855	7.8035	162,742
RUB	137,902	0.1053	14,521	106,336	0.1135	12,069
Other currencies			127,266			147,759
Cash due from central bank			842,936			3,945,427
Other monetary capital –			265,823			232,855
RMB	263,374	1.0000	263,374	229,302	1.0000	229,302
USD	370	6.6166	2,449	544	6.5342	3,553
Total			<u>17,612,564</u>			<u>27,459,453</u>

(1) Other Monetary Capital by Nature

	30 June 2018	31 December 2017
Security deposits	263,037	219,320
L/C security deposits	2,569	3,280
Customs security deposits	217	10,255
	<u>265,823</u>	<u>232,855</u>

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IV Notes to Consolidated Financial Statements (Continued)

1 Monetary Capital (Continued)

(2) Monetary Capital with Restricted Right of Use:

	30 June 2018	31 December 2017
TCL Finance's required reserve with central bank	842,936	3,945,429
Other monetary capital	265,823	232,855
	<u>1,108,759</u>	<u>4,178,284</u>

As at 30 June 2018, among the Company's cash at bank, RMB842,936,000 (31 December 2017: RMB3,945,429,000) was required reserve deposited by subsidiary TCL Finance Co., Ltd. in the central bank.

As at 30 June 2018, the Company's monetary capital abroad equaled RMB4,124,824,000 (31 December 2017: RMB2,429,037,000), which were all owned by the Company's overseas subsidiaries.

2 Financial Assets at Fair Value through Profit or Loss

	30 June 2018	31 December 2017
Derivative financial assets	940,983	687,432
Wealth management instruments at fair value	769,332	1,543,844
	<u>1,710,315</u>	<u>2,231,276</u>

The fair value of the Company's derivative financial assets is their real-time quotes on the forex market, and the change in fair value is the difference between the contractual price and the real-time quote on the forex market based on the forward exchange rate on the balance sheet date.

There are no significant restrictions on the Company's investment in and realization of financial assets at fair value through profit or loss.

3 Notes Receivable

	30 June 2018	31 December 2017
Bank acceptance notes	3,492,884	4,081,181
Commercial acceptance notes	1,895,190	2,089,168
Total	<u>5,388,074</u>	<u>6,170,349</u>

As at 30 June 2018, there were no notes receivable in pledge, commercial acceptance notes or bank acceptance notes that had been discounted but were still outstanding, or notes receivable from any shareholder with a 5% or greater voting stock. The notes receivable from related parties amounted to RMB2,319,000 (31 December 2017: RMB607,000).

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IV Notes to Consolidated Financial Statements (Continued)

4 Accounts Receivable

	30 June 2018	31 December 2017
Accounts receivable	15,644,643	15,131,490
Less: Allowance for doubtful accounts	452,002	384,267
	15,192,641	14,747,223

(1) Aging Analysis of Accounts Receivable:

	30 June 2018				31 December 2017			
	Amount	As % of total accounts receivable	Allowance for doubtful accounts	Allowance ratio	Amount	As % of total accounts receivable	Allowance for doubtful accounts	Allowance ratio
Within 1 year	15,002,890	95.90%	50,615	0.34%	14,537,233	96.07%	46,177	0.32%
1-2 years	465,568	2.98%	235,611	50.61%	426,154	2.82%	178,727	41.94%
2-3 years	71,551	0.46%	64,975	90.81%	65,432	0.43%	59,214	90.50%
Over 3 years	104,634	0.66%	100,801	96.34%	102,671	0.68%	100,149	97.54%
	15,644,643	100.00%	452,002	2.89%	15,131,490	100.00%	384,267	2.54%

(2) Accounts Receivable by Category:

	30 June 2018				31 December 2017			
	Amount	As % of total accounts receivable	Allowance for doubtful accounts	Allowance ratio	Amount	As % of total accounts receivable	Allowance for doubtful accounts	Allowance ratio
Accounts receivable with amounts that are individually significant	12,340,863	78.88%	295,835	2.40%	12,388,084	81.87%	294,573	2.38%
Accounts receivable with amounts that are not individually significant but carry a major risk on the credit risk grouping basis	-	-	-	-	-	-	-	-
Other insignificant accounts receivable	3,303,780	21.12%	156,167	4.73%	2,743,406	18.13%	89,694	3.27%
	15,644,643	100.00%	452,002	2.89%	15,131,490	100.00%	384,267	2.54%

An account receivable that is individually significant refers to an account receivable with an individual amount

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equal to over US\$500,000 (inclusive).

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IV Notes to Consolidated Financial Statements (Continued)

4 Accounts Receivable (Continued)

(3) Allowance for Doubtful Accounts Receivable:

	H1 2018	Year 2017
Beginning amount	384,267	314,436
Newly consolidated subsidiaries	-	-
Established in the period	124,916	180,199
Reversed in the period	(29,439)	(81,988)
Written off in the period	(14,527)	(16,002)
Newly deconsolidated subsidiaries	(10,268)	(3,184)
Exchange adjustments	(2,947)	(9,194)
	452,002	384,267
Ending amount	452,002	384,267

(4) As at 30 June 2018, accounts receivable from related parties amounted to RMB841,077,000 (31 December 2017: RMB748,024,000), accounting for 5.38% of the total accounts receivable (31 December 2017: 4.94%). For further information, see Note VII. And there were no accounts receivable from any shareholder with a 5% or greater voting stock.

(5) Top Five Accounts Receivable on 30 June 2018:

	30 June 2018	31 December 2017
Top five accounts receivable combined	3,024,695	2,102,125
As % of total accounts receivable	19.33%	13.89%

5 Factored Accounts Receivable/Factorage Financings

As at 30 June 2018, RMB12,943,000 of accounts receivable (31 December 2017: RMB46,449,000) were factored in the current period according to the agreements signed between the Company's subsidiaries and banks. According to the agreements, because the Company's subsidiaries retained partial risk in connection with the factored accounts receivable (the risk of customers' non-payment or untimely payment), the Company reflected the factored accounts receivable and the bank borrowings obtained therefrom in the balance sheet.



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IV Notes to Consolidated Financial Statements (Continued)

6 Prepayments

(1) Analysis of Prepayments:

	30 June 2018	31 December 2017
Within 1 year	1,093,650	910,215

(2) Top Five Prepayments on 30 June 2018:

	30 June 2018	31 December 2017
Top five prepayments combined	673,257	442,136
As % of total prepayments	61.56%	48.57%

(3) As at 30 June 2018, prepayments to related parties amounted to RMB74,151,000 (31 December 2017: RMB29,421,000), accounting for 6.78% of the total prepayments (31 December 2017: 3.23%). And there were no prepayments to any shareholder with a 5% or greater voting stock.

7 Interest Receivable

	30 June 2018	31 December 2017
Interest on bank deposits	65,159	53,622

As at 30 June 2018, interest receivable related parties amounted to RMB3,719,000 (31 December 2017: RMB2,488,000), accounting for 5.71% of the total interest receivable (31 December 2017: 4.64%). And there was no interest receivable from any shareholder with a 5% or greater voting stock.

8 Dividends Receivable

	30 June 2018	31 December 2017
Tianjin 712 Communication & Broadcasting Co., Ltd.	4,417	-
DK Electronic Materials, Inc.	1,996	-
Xinjiang Dongpeng Weichuang Equity Investment Partnership (Limited Partnership)	1,404	11,015
Taiyang Electro-optic (Huizhou) Co., Ltd.	1,163	-
Shenzhen Refond Optoelectronics Co., Ltd.	385	-
SEMP TCL Industria E Comercio De Eletroeletronicos S.A.	89	88
	9,454	11,103

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IV Notes to Consolidated Financial Statements (Continued)

9 Other Receivables

	30 June 2018	31 December 2017
Other receivables	4,742,214	4,290,709
Less: Allowance for doubtful other receivables	448,894	437,118
	4,293,320	3,853,591

(1) Aging Analysis of Other Receivables:

	30 June 2018				31 December 2017			
	Amount	As % of total other receivables	Allowance for doubtful accounts	Allowance ratio	Amount	As % of total other receivables	Allowance for doubtful accounts	Allowance ratio
Within 1 year	4,051,003	85.42%	22,524	0.56%	3,557,913	82.92%	21,429	0.60%
1-2 years	294,417	6.21%	106,339	36.12%	238,773	5.56%	96,045	40.22%
2-3 years	185,410	3.91%	132,893	71.68%	329,263	7.67%	193,656	58.81%
Over 3 years	211,384	4.46%	187,138	88.53%	164,760	3.85%	125,988	76.47%
	4,742,214	100.00%	448,894	9.47%	4,290,709	100.00%	437,118	10.19%

(2) Other Receivables by Category:

	30 June 2018				31 December 2017			
	Amount	As % of total other receivables	Allowance for doubtful accounts	Allowance ratio	Amount	As % of total other receivables	Allowance for doubtful accounts	Allowance ratio
Other receivables with amounts that are individually significant	3,348,755	70.62%	401,302	11.98%	3,378,755	78.75%	404,322	11.97%
Other receivables with amounts that are not individually significant but carry a major risk on the credit risk	-	-	-	-	-	-	-	-

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grouping basis								
Other insignificant other receivables	1,393,459	29.38%	47,592	3.42%	911,954	21.25%	32,796	3.60%
	<hr/>		<hr/>		<hr/>		<hr/>	
	4,742,214	100.00%	448,894	9.47%	4,290,709	100.00%	437,118	10.19%

The balance of the Company's other receivables primarily consisted of export tax rebates receivable, government subsidies receivable, security deposits in external entities, etc.

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IV Notes to Consolidated Financial Statements (Continued)

9 Other Receivables (Continued)

(3) Allowance for Doubtful Other Receivables:

	H1 2018	Year 2017
Beginning amount	437,118	369,119
Established in the period	15,589	86,473
Reversed in the period	(1,115)	(763)
Written off in the period	(1,715)	(1,818)
Newly deconsolidated subsidiaries	(572)	(14,439)
Exchange adjustments	(411)	(1,454)
	<u>448,894</u>	<u>437,118</u>
Ending amount	<u>448,894</u>	<u>437,118</u>

(4) As at 30 June 2018, other receivables from related parties amounted to RMB727,288,000 (31 December 2017: RMB350,617,000), accounting for 15.34% of the total other receivables (31 December 2017: 8.17%). For further information, see Note VII. And there were no other receivables from any shareholder with a 5% or greater voting stock.

(5) Top Five Other Receivables on 30 June 2018:

	30 June 2018	31 December 2017
Top five other receivables combined	1,409,351	1,546,652
As % of total other receivables	29.72%	36.05%

(6) As at 30 June 2018, there were no transfers of other receivables not meeting the derecognition conditions, securitization on other receivables, or financial instruments that backed securities and did not meet the derecognition conditions.

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IV Notes to Consolidated Financial Statements (Continued)

10 Inventories

(1) Inventories by Category:

	30 June 2018			31 December 2017		
	Gross amount	Valuation allowance	Carrying amount	Gross amount	Valuation allowance	Carrying amount
Raw materials	2,788,679	372,595	2,416,084	2,995,068	403,182	2,591,886
Unfinished goods	920,394	177,815	742,579	939,613	48,590	891,023
Finished goods	8,567,532	242,282	8,325,250	9,254,989	254,119	9,000,870
Revolving materials	261,493	818	260,675	320,350	818	319,532
Moulds	128,884	116	128,768	120,395	116	120,279
Real estate development costs	28,673	-	28,673	22,713	-	22,713
	12,695,655	793,626	11,902,029	13,653,128	706,825	12,946,303

As at 30 June 2018, there were no inventories used as security for debt.

(2) Inventory Valuation Allowances:

	1 January 2018	Established in the period	Reversed in the period	Written off in the period	Newly deconsolidated subsidiaries	Exchange adjustments	30 June 2018
Raw materials	403,182	162,535	(42,116)	(139,953)	(10,913)	(140)	372,595
Unfinished goods	48,590	143,040	(2,719)	(10,816)	(280)	-	177,815
Finished goods	254,119	261,398	(52,708)	(195,502)	(25,481)	456	242,282
Revolving materials	818	-	-	-	-	-	818
Moulds	116	-	-	-	-	-	116
	706,825	566,973	(97,543)	(346,271)	(36,674)	316	793,626

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IV Notes to Consolidated Financial Statements (Continued)

11 Other Current Assets

	30 June 2018	31 December 2017
Wealth management instruments (note 1)	13,659,938	4,710,164
VAT to be deducted or approved, etc.	3,083,570	2,075,997
Assets and creditor's rights purchased from non-financial institutions (note 2)	1,582,570	3,216,620
Currency swaps	1,323,320	1,633,550
Other	74,791	29,992
	19,724,189	11,666,323

Note 1: In order for better utilization, the Company purchased low-risk wealth management products with its own idle funds. For further information, see the Announcement of TCL Corporation on the Line Adjustment for Wealth Management Product Investment with Self-Owned Idle Funds disclosed by the Company on the designated information disclosure media dated 28 March 2017.

Note 2: Mostly notes discounting, held-to-maturity investments due within 1 year such as personal short-term loans.

12 Loans and Advances to Customers

	30 June 2018	31 December 2017
Loans and advances to customers (note 1)	848,778	555,133

Note 1: Loans and advances to customers were loans granted to their customers by subsidiaries Guangzhou TCL Internet Microcredit Co., Ltd. and Huizhou Zhongkai TCL Zhirong Technology Microcredit Co., Ltd.

13 Available-for-Sale Financial Assets

	30 June 2018	31 December 2017
Available-for-sale equity instruments——at fair value (1)	1,004,975	1,159,166
Available-for-sale equity instruments——at cost (2)	2,214,715	2,042,889
	3,219,690	3,202,055

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IV Notes to Consolidated Financial Statements (Continued)

13 Available-for-Sale Financial Assets (Continued)

(1) Available-for-Sale Equity Instruments——at Fair Value

	Cost	Change in fair value	Impairment allowance	Ending amount
Tencent Holdings Limited 0700	85,481	(2,478)	-	83,003
New China Life Insurance Company Ltd. 1336	29,448	(10,358)	-	19,090
GAC Group 2238	11,144	(7,033)	-	4,111
China Construction Bank 0939	17,835	(2,187)	-	15,648
CSPC 1093	4,105	1,889	-	5,994
China Molybdenum Co., Ltd. 3993	15,307	(2,485)	-	12,822
AAC Technologies 2018	30,992	(7,794)	-	23,198
China Education Group 0839	8,247	(2,249)	-	5,998
Sino Biopharmaceutical Limited 1177	57,550	3,356	-	60,906
HKEX 0388	99,261	(11,713)	-	87,548
NASDAQ-Gilead Sciences Inc. (GILD.NASD)	31,479	(5,232)	-	26,247
Ping An Insurance (Group) Company of China, Ltd. 2318	69,258	(10,212)	-	59,046
Health and Happiness (H&H) International Holdings Limited 1112	20,167	(1,170)	-	18,997
Geely Automobile Holdings Limited 0175	27,806	(2,070)	-	25,736
Yuhua Education 6169	14,361	(718)	-	13,643
Alibaba Group Holding (NYSE-BABA)	68,857	(7,479)	-	61,378
Thunder Software Technology CO LTD	3,438	58,437	-	61,875
Beijing D.Phone Trade&Commerce Stock Co., Ltd.	18,692	(597)	9,291	8,804
Shenzhen Wintone Culture Co., Ltd.	4,800	-	-	4,800
Shenzhen Refond Optoelectronics Co., Ltd.	40,000	13,962	-	53,962
SKYS	18,021	(4,325)	11,422	2,274
Restricted stock of Petro-king Oilfield Technology Ltd. (HK.2178)	115,259	2,319	74,803	42,775
Focaltech Inc.(3545.TW)	5,898	17,324	-	23,222
O Luxe Holdings Limited	199,456	84,442	-	283,898
	<u>996,862</u>	<u>103,629</u>	<u>95,516</u>	<u>1,004,975</u>

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IV Notes to Consolidated Financial Statements (Continued)

13 Available-for-Sale Financial Assets (Continued)

(2) Available-for-Sale Equity Instruments——at Cost

Investee	The Company's interest		Actual investment	
	Direct	Indirect	30 June 2018	31 December 2017
Samsung Suzhou LCD Co., Ltd.	10.00%	-	625,949	625,949
Boluo County Rural Commercial Bank	6.05%	-	203,669	203,669
Guokai Siyuan (Beijing) Investment Fund Co., Ltd.	3.95%	-	200,000	200,000
Mango International Group Limited	-	2.31%	189,199	32,493
China Broadband Capital Partners III LP	-	8.90%	170,425	145,391
Changjiang Chendao (Hubei) New Energy Industry Investment Partnership (Limited Partnership)	-	4.76%	150,000	150,000
Sierra Ventures X ,LP	-	15.13%	118,000	109,763
Kateeva,Inc	-	1.77%	52,273	51,820
Beijing Shangyun Chuangzhan Investment Center (Limited Partnership)	10.00%	-	50,000	50,000
Kunshan Wantong Kaiyuan Equity Investment Center (Limited Partnership)	5.00%	-	50,000	50,000
Sierra Ventures XI ,LP	-	8.78%	41,891	36,607
Sensetime Group Inc	-	0.34%	33,197	33,197
Cannan Partners	-	11.63%	33,120	30,539
Huzhou Zhongze Jiameng Equity Investment Partnership (Limited Partnership)	-	8.33%	28,833	28,833
DK Electronic Materials, Inc.	-	13.31%	24,303	24,303
Rechi Precision Mechanism (Huizhou) Co., Ltd.	-	7.14%	21,753	21,753
Amiti Fund II LP	-	12.68%	20,783	20,046
Palm Venture Group	-	30.00%	19,849	19,919
Najing Technology Co., Ltd.	-	2.65%	18,825	18,825
Shanghai Guanmu Investment Management Partnership (Limited Partnership)	-	17.20%	17,500	17,500
Innoviz Technologies Ltd	-	0.70%	13,359	13,359
Wonder Workshop,Inc	-	1.90%	13,279	13,279
Hailo Technologies Ltd	-	6.50%	12,659	-
Guangdong Poly OptoElectronics Co., Ltd.	-	8.00%	12,000	12,000
Guiyang Dongshi Cloud Technology Co., Ltd.	-	7.46%	11,000	11,000
Beijing Youpinuedong Trade Co., Ltd.	-	2.00%	10,000	10,000
Chipone Technology (Beijing) Co., Ltd.	-	10.00%	10,000	-
Shanlian Information Technology Engineering Center Co., Ltd.	19.23%	-	10,000	10,000
Zhongdao Optoelectronic Equipment Co., Ltd.	-	2.58%	9,738	9,738
Moblabs,INC	-	2.43%	6,616	-
Beijing Taimei Huigu Culture Media Co., Ltd.	-	10.00%	6,000	6,000
Shenzhen Zhongcailian Technology Co., Ltd.	-	11.50%	6,000	1,153
National Source Coding Center (Beijing)	7.52%	-	5,000	5,000



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IV Notes to Consolidated Financial Statements (Continued)

13 Available-for-Sale Financial Assets (Continued)

(2) Available-for-Sale Equity Instruments——at Cost

Investee	The Company's interest		Actual investment	
	Direct	Indirect	30 June 2018	31 December 2017
Suzhou Enhanyr Advanced Material Co., Ltd.	-	0.34%	4,800	-
Foshan Chuangshanghai E-Commerce Co., Ltd.	-	6.76%	3,654	3,654
Shanghai Digital TV National Engineering Research Center Co., Ltd.	-	4.26%	2,400	2,400
Huizhou Kaifengda Intelligent Manufacturing Technology Development Co., Ltd.	-	10.00%	2,000	2,000
West Eagle Vent	-	33.33%	1,979	1,962
Guizhou UbiLink Information Technology Co., Ltd.	-	3.46%	1,500	1,500
Shenzhen Digital TV National Engineering Research Center Co., Ltd.	-	6.00%	1,153	6,000
Beijing Shixunsuda Information Technology Co., Ltd.	-	7.50%	1,000	-
Henan Melody Huana Electronics Co., Ltd.	-	5.00%	500	573
Screlec S.A.	-	4.26%	234	234
Jiangxi Guangke E-Commerce Co., Ltd.	-	10.00%	150	150
Huizhou TCL Magnet Products Co., Ltd.	5.00%	-	76	76
Shenzhen Adot Network Co., Ltd.	-	1.66%	33	33
Hangzhou UATA Technology Co., Ltd.	-	1.60%	16	316
Beijing Ruichuang Investment Management Center (Limited Partnership)	-	10.00%	-	10,000
Aurora Mobile Ltd	-	2.54%	-	51,855
			2,214,715	2,042,889

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14 Long-Term Equity Investments

	30 June 2018			31 December 2017		
	Gross amount	Impairment allowance	Carrying amount	Gross amount	Impairment allowance	Carrying amount
Unconsolidated subsidiaries (1)	20,373	786	19,587	20,373	20,373	-
Long-term equity investments measured at equity method	16,296,900	138,796	16,158,104	15,471,223	119,209	15,352,014
Including: Associates (2)	15,623,804	138,796	15,521,357	14,806,411	102,447	14,703,964
Joint ventures (3)	673,096	-	656,334	664,812	16,762	648,050
	<u>16,317,273</u>	<u>139,582</u>	<u>16,177,691</u>	<u>15,491,596</u>	<u>139,582</u>	<u>15,352,014</u>

As at 30 June 2018, the Company established impairment allowances for its long-term investments in insolvent investees. Other than that, there were no significant restrictions on sale of the long-term equity investments or collection of the investment income.

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IV Notes to Consolidated Financial Statements (Continued)

14 Long-Term Equity Investments (Continued)

(1) Unconsolidated Subsidiaries

Investee	The Company's percentage in investee's registered capital	Profit/loss adjustment					30 June 2018 d=a+b+c
		Initial investment amount a	Change in profit/loss in current period	Accumulated change in profit/loss b	Impairment allowance		
					Increase in current period	Accumulated increase c	
Jinke Holding Group Co., Ltd.	75.50%	20,373	-	-	-	-	20,373

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IV Notes to Consolidated Financial Statements (Continued)

14 Long-Term Equity Investments (Continued)

(2) Associates

Investee	Beginning amount	Increase/decrease in investment in current period	Change in current period					Other increases /decreases	30 June 2018
			Share of profit/loss using equity method	Adjustments of other comprehensive income	Other change in equity	Cash dividends or profits declared	Impairment allowance		
Bank of Shanghai Co., Ltd.	7,630,711	-	467,562	3,171	-	-	-	-	8,101,444
Hubei Consumer Finance Company	120,343	-	5,836	-	-	-	-	-	126,179
Huan Tech Co., Ltd.	158,042	-	561	-	-	-	-	-	158,603
LG Innotek Huizhou Co., Ltd.	81,554	-	3,402	-	-	(10,135)	-	2,037	76,858
Huizhou Shangdian Law Firm Waterway Construction Investment Co., Ltd.	48,081	-	(223)	-	-	-	-	(47,858)	-
Canyon Circuit Technology (Huizhou) Co., Ltd.	-	16,103	2,068	-	-	-	-	-	18,171
Tianjin 712 Communication & Broadcasting Co., Ltd.	637,000	-	6,936	-	-	-	-	25,751	669,687
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	53,012	-	4,393	-	-	-	-	-	57,405
Ningbo Meishan Bonded Port Renxing Culture Investment Center (Limited Partnership)	8,001	(3,091)	-	-	-	-	-	-	4,910
TCL Rechi (Huizhou) Refrigeration Equipment Co., Ltd.	165,465	-	8,524	-	-	(3,333)	-	-	170,656
Wuhan Shangde Plastics Technology Co., Ltd.	5,683	-	464	-	-	-	-	-	6,147
Gaoshengda Holdings (Huizhou) Co., Ltd.	49,733	-	7,713	-	-	-	-	-	57,446
Beijing WeMed Medical Equipment Co., Ltd.	39,435	-	(2,647)	-	-	-	-	-	36,788
Million China International Holdings Limited	19,410	-	(12)	-	-	-	-	5	19,403
Shenzhen Changcheng Commercial Technology Property Service Co., Ltd.	1,200	-	1,595	-	-	-	-	-	2,795
Amlogic (Shanghai) Limited	146,739	-	10,794	-	-	-	-	2,853	160,386

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IV Notes to Consolidated Financial Statements (Continued)

14 Long-Term Equity Investments (Continued)

(2) Associates (Continued)

Investee	Beginning amount	Increase/decrease in investment in current period	Change in current period					Other increases/decreases	30 June 2018
			Share of profit/loss using equity method	Adjustments of other comprehensive income	Other change in equity	Cash dividends or profits declared	Impairment allowance		
SEMP TCL Industria E Comercio De Eletronicos S.A.	229,558	-	(5,971)	-	-	-	-	-	223,587
Kai Os Technologies Inc	2,023	-	-	-	-	-	-	-	2,023
Naturedao Information Science and Technology, Ltd.	2,628	-	4	-	-	-	-	(336)	2,296
T2Mobile Limited	20,258	-	1,149	-	-	-	-	(1,107)	20,300
Harvey Holdings Limited	19,689	-	(1,662)	-	-	-	-	1,282	19,309
Petro AP (Hong Kong) Company Limited	-	-	(4,597)	-	-	-	-	4,597	-
Petro AP S.A.	-	-	(174)	-	-	-	-	174	-
Guangdong Regency Optics-Electron Corp.	21,082	-	850	-	-	-	-	-	21,932
Shenzhen Jucai Supply Chain Technology Co., Ltd.	6,000	-	(541)	-	-	-	-	-	5,459
Shenzhen Thunderbird Network Technology Co.	247,685	30,000	11,771	-	-	-	-	-	289,456
Jiangxi Broadcasting TV Network E-Commerce Co., Ltd.	1,470	-	(25)	-	-	-	-	(4)	1,441
Yizheng Zeyu Electric Light Co., Ltd.	2,537	-	5	-	-	-	-	-	2,542
Urumqi TCL Equity Investment Management Co., Ltd.	1,278	-	(105)	-	-	-	-	-	1,173
Wuxi TCL Venture Capital Partnership (Limited Partnership)	53,651	-	516	(316)	-	-	-	(224)	53,627
Yixing Jiangnan Tianyuan Venture Capital Company (Limited Partnership)	62,471	(12,746)	15,889	(21,073)	-	(15,013)	-	11	29,539
Beijing A Dynamic Investment Consulting Co., Ltd.	517	-	125	-	-	-	-	-	642
Shanghai Gen Auspicious Investment Management Co., Ltd.	288	-	(191)	-	-	-	-	-	97

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Shanghai Gen Auspicious Investment Management Co., Ltd.	30,398	-	(367)	-	-	-	-	-	30,031
Shanghai Chuangxiang Venture Capital Partnership (Limited Partnership)	35,573	-	1,160	(2,620)	-	-	-	-	34,113

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IV Notes to Consolidated Financial Statements (Continued)

14 Long-Term Equity Investments (Continued)

(2) Associates (Continued)

Investee	Beginning amount	Increase/decrease in investment in current period	Change in current period					Other increases/decreases	30 June 2018
			Share of profit/loss using equity method	Adjustments of other comprehensive income	Other change in equity	Cash dividends or profits declared	Impairment allowance		
Nanjing A Dynamic Equity Investment Fund Management Co., Ltd.	335	-	(1)	-	-	-	-	-	334
Urumqi TCL Create Dynamic Equity Investment Management Co., Ltd.	781	-	(15)	-	-	-	-	-	766
Nanjing Zijin Chuangdong Investment Partnership (Limited Partnership)	43,022	-	(7)	9	-	-	-	-	43,024
Huizhou Kaichuang Venture Investment Partnership (Limited Partnership)	27,648	-	1	-	-	-	-	-	27,649
Shenzhen Chuangdong New Industry Investment Fund Enterprise (Limited Partnership)	16,810	-	6	-	-	-	-	-	16,816
Xizang Rongxin Venture Investment Management Co., Ltd.	4,871	-	(2)	-	-	-	-	-	4,869
Xizang Rongxing Venture Investment Partnership (Limited Partnership)	961	-	-	-	-	-	-	-	961
Wuxi TCL Aisikai Semiconductor Industry Investment Fund Partnership (Limited Partnership)	64,926	10,292	(558)	-	-	-	-	-	74,660
Urumqi Qixinda Equity Investment Management Co., Ltd.	734	-	(2)	-	-	-	-	-	732
Xizang Dongwei Investment Management Center (Limited Partnership)	238	-	(5)	-	-	-	-	-	233
Hubei Changjiang Hezhi Equity Investment Fund Management Co., Ltd.	4,257	-	(100)	-	-	-	-	-	4,157
Hubei Changjiang Hezhi Equity Investment Fund Partnership (Limited Partnership)	1,051,495	-	7,249	-	-	-	-	-	1,058,744
Xinjiang Dongpeng Heli Equity Investment Partnership (Limited Partnership)	77,478	45,000	(2,954)	-	-	-	-	-	119,524
Xinjiang Dongpeng Weichuang Equity Investment Partnership (Limited Partnership)	783,751	-	(10,327)	15,737	-	-	-	-	789,161
TCL Nanyang Electric Appliance (Guangzhou) Co., Ltd.	5,077	-	(203)	-	-	-	-	-	4,874
Fantasia Holdings Group Co., Limited	2,125,346	-	20,651	-	-	(65,972)	-	-	2,080,025

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IV Notes to Consolidated Financial Statements (Continued)

14 Long-Term Equity Investments (Continued)

(2) Associates (Continued)

Investee	Beginning amount	Increase/decrease in investment in current period	Share of profit/loss using equity method	Change in current period					30 June 2018
				Adjustments of other comprehensive income	Other change in equity	Cash dividends or profits declared	Impairment allowance	Other increases/decreases	
Active Industries International Limited	13,943	-	726	-	-	-	-	-	14,669
China Merchants Real Estate (Pingshan, Shenzhen) Co., Ltd.	271,985	-	67,460	-	-	-	-	-	339,445
Huizhou Kaimeng Angel Investment Partnership (Limited Partnership)	2,878	-	(11)	-	-	-	-	-	2,867
Shenzhen Jiutian Matrix Investment Management Co., Ltd.	640	-	(162)	-	-	-	-	-	478
AGC New Electronic Display Glass (Shenzhen) Co., Ltd.	16,839	170,874	(3,573)	-	-	-	-	-	184,140
Taiyang Electro-optic (Huizhou) Co., Ltd.	12,921	-	1,229	-	-	(1,163)	-	-	12,987
Deqing Puhua Equity Investment Fund Partnership (Limited Partnership)	209,981	-	-	-	-	-	-	-	209,981
Ningbo Meishan Bonded Port Qiyu Investment Management Partnership (Limited Partnership)	-	70,000	-	-	-	-	-	-	70,000
Huizhou TCL Resource Investment Co., Ltd.	65,532	-	(9,716)	-	-	-	-	-	55,816
<b>Total</b>	<b>14,703,964</b>	<b>326,432</b>	<b>604,488</b>	<b>(5,092)</b>	<b>-</b>	<b>(95,616)</b>	<b>-</b>	<b>(12,819)</b>	<b>15,521,357</b>



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IV Notes to Consolidated Financial Statements (Continued)

14 Long-Term Equity Investments (Continued)

(3) Joint Ventures

Investee	Beginning amount	Increase/decrease in investment in current period	Change in current period					Other increases/decreases	30 June 2018
			Share of profit/loss using equity method	Adjustments of other comprehensive income	Other change in equity	Cash dividends or profits declared	Impairment allowance		
TCL Sun, Inc.	11,945	-	519	-	-	-	-	(1,035)	11,429
TV University Online Distance Education Technology Co., Ltd.	135,341	-	12,873	-	-	-	-	(1,420)	146,794
CJ Speedex Logistics Co., Ltd.	468,286	-	(2,258)	-	-	-	-	-	466,028
Shanxi TCL Huirong Venture Investment Co., Ltd.	5,774	-	350	-	-	-	-	-	6,124
Shanxi TCL Huirong Venture Investment Management Co., Ltd.	503	-	1	-	-	-	-	-	504
TCL Huizhou City, Kai Enterprise Management Limited	1,147	-	29	-	-	-	-	-	1,176
TCL-IMAX Entertainment Co., Limited	(3)	-	3	-	-	-	-	-	-
TCL Zhiyi Technology (Huizhou) Co., Ltd.	2,467	-	(72)	-	-	-	-	-	2,395
Huizhou TCL Taidong Shihua Investment Co., Ltd.	22,590	-	(706)	-	-	-	-	-	21,884
	<u>648,050</u>	<u>-</u>	<u>10,739</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,455)</u>	<u>656,334</u>

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IV Notes to Consolidated Financial Statements (Continued)

14 Long-Term Equity Investments (Continued)

(4) Impairment Allowances for Long-Term Equity Investments

	1 January 2018	Incre ase in curre nt perio d	Decrease in current period	30 June 2018	Reaso n for allow ance
Pride Telecom Limited	1,624	-	-	1,624	Note 1
Naturedao Information Science and Technology, Ltd.	2,221	-	-	2,221	Note 2
Jinke Holding Group Co., Ltd.	20,373	-	-	20,373	Note 3
China United Magnesium Co.,Ltd.	97,387	-	-	97,387	Note 1
Wealthy Way Group Limited	1,215	-	-	1,215	Note 2
TCL-IMAX Entertainment Co., Limited	16,762	-	-	16,762	Note 2
	<u>139,582</u>	<u>-</u>	<u>-</u>	<u>139,582</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.

Note 2 Impairment allowances were established for the long-term investments in Naturedao Information Science and Technology, Ltd., Wealthy Way Group Limited and TCL-IMAX Entertainment Co., Limited at the recoverable amounts because continuous operating loss occurred to these investees with poor management.

Note 3 According to the equity transfer agreement with Gardex Enterprises Ltd., the Company transferred its equity interests in Jinke Holding Group Co. and its subsidiaries (together, "Jinke Group") in April 2004. Upon the signing of the agreement, the Company no longer had control over Jinke Group's operation and finance, so it deconsolidated Jinke Group from April 2004. However, as Gardex Enterprises Ltd. has not yet paid in full according to the payment schedule in the agreement, the equity transfer formalities are still pending. As such, the Company established a full-amount impairment allowance for its long-term investment in Jinke Group.

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IV Notes to Consolidated Financial Statements (Continued)

15 Investment Property

	Buildings	Land use rights	Total
Gross amount:			
1 January 2018	2,056,279	25,805	2,082,084
Increases:			
Increase in current period	155,056	-	155,056
Reclassified from fixed assets and intangible assets	274,519	716,592	991,111
Reclassified from construction in progress	490,728	-	490,728
Decreases:			
Decrease in current period	(220,413)	(9,947)	(230,360)
Newly deconsolidated subsidiaries	-	-	-
Reclassified to fixed assets and intangible assets	(152,425)	(563,403)	(715,828)
Exchange adjustments	5,679	46	5,725
30 June 2018	<u>2,609,423</u>	<u>169,093</u>	<u>2,778,516</u>
Accumulated depreciation and amortization:			
1 January 2018	1,215,651	6,543	1,222,194
Increases:			
Increase in current period	3,752	5,414	9,166
Reclassified from fixed assets and intangible assets	13,721	2,654	16,375
Decreases:			
Decrease in current period	-	-	-
Newly deconsolidated subsidiaries	(13,546)	-	(13,546)
Reclassified to fixed assets and intangible assets	(6,856)	(3,131)	(9,987)
Exchange adjustments	726	18	744
30 June 2018	<u>1,213,448</u>	<u>11,498</u>	<u>1,224,946</u>
Investment property, net:			
30 June 2018	<u>1,395,975</u>	<u>157,595</u>	<u>1,553,570</u>
1 January 2018	<u>840,628</u>	<u>19,262</u>	<u>859,890</u>

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IV Notes to Consolidated Financial Statements (Continued)

16 Fixed Assets

	Buildings	Decoration of fixed assets	Machinery and equipment	Office and electronic equipment	Motor vehicles	Total
Gross amount: 1 January 2018	12,333,627	372,125	41,201,902	1,561,753	104,551	55,573,958
Increases:						
Newly consolidated subsidiaries	-	-	-	2	463	465
Purchased	260,643	13,848	266,816	70,458	6,362	618,127
Reclassified from investment property	152,425	-	-	-	-	152,425
Reclassified from construction in progress	226,138	7,929	478,482	30,243	-	742,792
Decreases:						
Written down with government subsidies	-	-	(11,342)	(6)	-	(11,348)
Newly deconsolidated subsidiaries	(801)	(4,114)	(684,428)	(32,125)	(1,138)	(722,606)
Sold or retired	(480,016)	(35,030)	(140,544)	(51,801)	(6,997)	(714,388)
Reclassified to investment property	(537,032)	(38,249)	-	-	-	(575,281)
Exchange adjustments	10,646	14,592	(221,380)	166,227	7,093	(22,822)
30 June 2018	<u>11,965,630</u>	<u>331,101</u>	<u>40,889,506</u>	<u>1,744,751</u>	<u>110,334</u>	<u>55,041,322</u>
Accumulated depreciation: 1 January 2018	2,110,019	282,293	18,948,357	957,236	65,313	22,363,218
Increases:						
Newly consolidated subsidiaries	-	-	-	-	-	-
Depreciation established	283,215	25,932	3,006,967	124,753	7,766	3,448,633
Reclassified from investment property	6,856	-	-	-	-	6,856
Decreases:						
Written down with government subsidies	(17,762)	-	(408,912)	(65)	-	(426,739)
Newly deconsolidated subsidiaries	(3)	(2,499)	(163,517)	(23,344)	(1,022)	(190,385)
Sold or retired	(102,753)	(30,028)	(173,403)	(35,041)	(6,604)	(347,829)
Reclassified to investment property	(13,721)	-	-	-	-	(13,721)
Exchange adjustments	3,594	5,856	(112,423)	94,708	(759)	(9,024)
30 June 2018	<u>2,269,445</u>	<u>281,554</u>	<u>21,097,069</u>	<u>1,118,247</u>	<u>64,694</u>	<u>24,831,009</u>
Fixed assets, net: 30 June 2018	<u>9,696,185</u>	<u>49,547</u>	<u>19,792,437</u>	<u>626,504</u>	<u>45,640</u>	<u>30,210,313</u>
1 January 2018	<u>10,223,608</u>	<u>89,832</u>	<u>22,253,545</u>	<u>604,517</u>	<u>39,238</u>	<u>33,210,740</u>

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IV Notes to Consolidated Financial Statements (Continued)

16 Fixed Assets (Continued)

Impairment allowances:						
1 January 2018	1,141	994	608,117	2,426	83	612,761
Established in current period	-	-	47,065	-	-	47,065
Newly deconsolidated subsidiaries	-	-	(335,944)	(208)	-	(336,152)
Written off in current period	-	-	(16)	-	-	(16)
Exchange adjustments	7	-	(36,623)	(575)	-	(37,191)
30 June 2018	<u>1,148</u>	<u>994</u>	<u>282,599</u>	<u>1,643</u>	<u>83</u>	<u>286,467</u>
Fixed assets, net:						
30 June 2018	<u>9,695,037</u>	<u>48,553</u>	<u>19,509,838</u>	<u>624,861</u>	<u>45,557</u>	<u>29,923,846</u>
1 January 2018	<u>10,222,467</u>	<u>88,838</u>	<u>21,645,428</u>	<u>602,091</u>	<u>39,155</u>	<u>32,597,979</u>

For the collateralized fixed assets, see Note V, item 39. As at 30 June 2018, the carrying amount of the temporarily idle fixed assets was RMB8,763,000, and the gross amount of the fixed assets that were sufficiently depreciated and still in use was RMB84,054,000.

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

	Gross amount	Accumulated depreciation	Impairment allowance	Carrying amount	Expected time of obtaining ownership certificate
Buildings (note)	2,784,541	238,696	-	2,545,845	Within 2018

Note: As at 30 June 2018, the fixed assets with pending ownership certificates were mostly the buildings of CSOT's T2 and T3 manufacturing bases and the Hefei manufacturing base that had been completed and put into use.

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17 Construction in Progress

Project	Budget	1 January 2018	Increase in current period	Reclassified to fixed assets in current period	Reclassified to investment property in current period	Other decreases	30 June 2018	Investment as % of budget	Funding source
G11 LCD panel	46,500,000	3,293,073	3,067,227	-	-	-	6,360,300	14%	Self-owned capital and borrowings
t3 production line of LCD panel	14,500,000	9,066,479	3,342,461	(218,190)	-	(9,263)	12,181,487	84%	Self-owned capital and borrowings
Yunsheng Technology Park in Guangzhou Science City	1,200,000	223,909	300,287	-	-	-	524,196	44%	Self-owned capital and borrowings
Xili project	583,460	316,650	176,000	-	(490,728)	-	1,922	100%	Self-owned capital and borrowings
T2 production line of LCD panel	22,400,000	368,399	726,391	(3,686)	-	-	1,091,104	99%	Self-owned capital and borrowings
Huizhou modular integration project	17,550,000	591,969	1,317,687	-	-	(146,350)	1,763,306	10%	Self-owned capital and borrowings
Huizhou whole-widgit integration project	24,650,000	-	185,026	-	-	-	185,026	1%	Self-owned capital and borrowings
Other	Not applicable	914,758	434,209	(520,916)	-	(9,310)	818,741	Not applicable	
		<u>14,775,237</u>	<u>9,549,288</u>	<u>(742,792)</u>	<u>(490,728)</u>	<u>(164,923)</u>	<u>22,926,082</u>		

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IV Notes to Consolidated Financial Statements (Continued)

18 Intangible Assets

	Land use rights	Non-patented technologies /patents	Trademark use rights	Other	Total
Gross amount:					
1 January 2018	4,705,551	1,982,225	330,599	1,181,100	8,199,475
Increases:					
Newly consolidated subsidiaries	-	-	-	-	-
Purchased	227,843	16,209	-	69,834	313,886
Reclassified from investment property	563,403	-	-	-	563,403
Reclassified from construction in progress	75,319	-	-	10,641	85,960
Reclassified from R&D expense	-	220,961	-	1,310	222,271
Decreases:					
Sold or disposed	-	(5)	-	(8,857)	(8,862)
Reclassified to investment property	(433,800)	-	-	17,970	(415,830)
Newly deconsolidated subsidiaries	-	(1,486)	-	(23,753)	(25,239)
Exchange adjustments	483	14,612	3,908	(50,664)	(31,661)
30 June 2018	<u>5,138,799</u>	<u>2,232,516</u>	<u>334,507</u>	<u>1,197,581</u>	<u>8,903,403</u>
Accumulated amortization:					
1 January 2018	367,288	657,024	131,693	625,295	1,781,300
Increases:					
Amortization established	86,176	105,943	9,783	66,155	268,057
Reclassified from investment property	3,131	-	-	-	3,131
Decreases:					
Sold or disposed	(1,156)	-	-	(1,160)	(2,316)
Reclassified to investment property	(2,654)	-	-	-	(2,654)
Newly deconsolidated subsidiaries	-	(1,450)	-	(9,837)	(11,287)
Written down with government subsidies	(3,418)	-	-	-	(3,418)
Exchange adjustments	261	14,192	2,414	(41,621)	(24,754)
30 June 2018	<u>449,628</u>	<u>775,709</u>	<u>143,890</u>	<u>638,832</u>	<u>2,008,059</u>
Intangible assets, net:					
30 June 2018	<u>4,689,171</u>	<u>1,456,807</u>	<u>190,617</u>	<u>558,749</u>	<u>6,895,344</u>
1 January 2018	<u>4,338,263</u>	<u>1,325,201</u>	<u>198,906</u>	<u>555,805</u>	<u>6,418,175</u>
Impairment allowances:					
1 January 2018	-	11,388	-	34,276	45,664
Exchange adjustments	-	-	-	(8,912)	(8,912)
30 June 2018	<u>-</u>	<u>11,388</u>	<u>-</u>	<u>25,364</u>	<u>36,752</u>
Intangible assets, net:					
30 June 2018	<u>4,689,171</u>	<u>1,445,419</u>	<u>190,617</u>	<u>533,385</u>	<u>6,858,592</u>
1 January 2018	<u>4,338,263</u>	<u>1,313,813</u>	<u>198,906</u>	<u>521,529</u>	<u>6,372,511</u>

For the collateralized intangible assets, see Note IV, item 39.

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19 R&D Expense

The Group's R&D expense is listed as follows:

	30 June 2018	31 December 2017
Mobile phones	297,394	297,394
LCD panels	635,102	526,840
Other	60,244	48,570
	<u>992,740</u>	<u>872,804</u>

20 Goodwill

Investee	Reason	Initial amount	30 June 2018	31 December 2017
TCL (Vietnam) Corporation Ltd.	Note 1	1,947	778	778
TCL Mobile Communication (HK) Company Limited		310	124	124
TCL Electronics Holdings Limited	Note 2	11,419	4,567	4,567
TCL Electronics Holdings Limited	Note 3	(5,409)	(2,705)	(2,705)
TCL Electronics Holdings Limited	Note 4	39,130	19,565	19,565
TCL Electronics Holdings Limited	Note 5	28,017	15,409	15,409
TCL Electronics Holdings Limited	Note 6	8,952	5,372	5,372
TCL Electronics Holdings Limited	Note 7	36,259	25,381	25,381
TCL Communication Technology Holdings Limited	Note 8	316,893	194,551	194,551
JRD Communication Inc.	Note 9	134,968	134,968	134,968
TCL MEDICAL RADIOLOGICAL TECHNOLOGY (BEIJING) CO., LTD.	Note 10	28,967	28,967	28,967
Huizhou TCL Environment Technology Co., Ltd.	Note 11	92,952	92,952	92,952
TCL Communication (Ningbo) Co., Ltd.	Note 12	89,196	89,196	89,196
Toshiba Visual Products (China) Co., Ltd.	Note 13	12,065	12,065	12,065
Pusheng Group Co., Ltd.	Note 14	3,506	3,506	3,506
East Fair Investments Limited	Note 15	50,729	50,729	50,729
Qingdao Blue Business Consulting Co., Ltd.	Note 16	2,452	2,452	2,452
Gross amount			677,877	677,877
Less: impairment allowances	Note 17		<u>257,343</u>	<u>257,343</u>
Carrying amount, net			<u>420,534</u>	<u>420,534</u>



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- Note 1. TCL Overseas Holdings Limited, a wholly-owned subsidiary of TCL Electronics Holdings Limited (hereinafter referred to as “TCL Electronics”) (a subsidiary of the Company’s wholly-owned subsidiary TCL Industries Holdings (HK) Limited), increased in November 2000 its interest in TCL (Vietnam) Corporation Ltd. (hereinafter referred to as “TCL Vietnam”) to 100% with a capital of HK\$10,690,000. As such, the difference between the accumulated investment of TCL Overseas Holdings Limited in TCL Vietnam (corresponding to a 100% interest) and the owner’s equity of TCL Vietnam attributable to TCL Overseas Holdings Limited on the settlement date (equal to RMB1,947,000) was recorded in the Company’s goodwill.

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IV Notes to Consolidated Financial Statements (Continued)

20 Goodwill (Continued)

Note 2. TCL Industries Holdings (HK) Limited, a wholly-owned subsidiary of the Company, purchased in 2000 another 19,220,000 shares in TCL Electronics with a capital of HK\$29,872,000. As such, the difference between the accumulated investment of TCL Industries Holdings (HK) Limited in TCL Electronics (corresponding to a 51.82% interest) and the owner's equity of TCL Electronics attributable to TCL Industries Holdings (HK) Limited on the settlement date (equal to RMB11,419,000) was recorded in the Company's goodwill.

Note 3. TCL Industries Holdings (HK) Limited, a wholly-owned subsidiary of the Company, purchased in 2001 another 32,556,000 shares in TCL Electronics with a capital of HK\$30,608,000. As such, the difference between the accumulated investment of TCL Industries Holdings (HK) Limited in TCL Electronics (corresponding to a 55.15% interest) and the shareholders' equity of TCL Electronics attributable to TCL Industries Holdings (HK) Limited on the settlement date (equal to RMB-5,409,000) was recorded in the Company's goodwill.

Note 4. According to a conditional agreement on the acquisition of Huizhou TCL Computer Technology Co., Ltd. signed in late 2000 between TCL Industries Holdings (HK) Limited and TCL Holdings (BVI) Limited, a wholly-owned subsidiary of TCL Electronics (a subsidiary of the Company's wholly-owned subsidiary TCL Industries Holdings (HK) Limited), TCL Electronics offered, at the price of HK\$1.78/share, 105,619,289 shares as the consideration for the acquisition, to TCL Industries Holdings (HK) Limited. As such, the difference between the accumulated investment of TCL Industries Holdings (HK) Limited in TCL Electronics (corresponding to a 53.86% interest) and the shareholders' equity of TCL Electronics attributable to TCL Industries Holdings (HK) Limited on the settlement date (equal to RMB39,130,000) was recorded in the Company's goodwill.

Note 5. TCL Industries Holdings (HK) Limited, a wholly-owned subsidiary of the Company, purchased in 2002 another 39,610,000 shares in TCL Electronics with a capital of HK\$76,719,000. As such, the difference between the accumulated investment of TCL Industries Holdings (HK) Limited in TCL Electronics (corresponding to a 54.15% interest) and the shareholders' equity of TCL Electronics attributable to TCL Industries Holdings (HK) Limited on the settlement date (equal to RMB28,017,000) was recorded in the Company's goodwill.

Note 6. TCL Industries Holdings (HK) Limited, a wholly-owned subsidiary of the Company, purchased in 2003 another 37,080,000 shares in TCL Electronics with a capital of HK\$62,304,820. As such, the difference between the accumulated investment of TCL Industries Holdings (HK) Limited in TCL Electronics (corresponding to a 54.51% interest) and the shareholders' equity of TCL Electronics attributable to TCL Industries Holdings (HK) Limited on the settlement date (equal to RMB8,952,000) was recorded in the Company's goodwill.

Note 7. TCL Industries Holdings (HK) Limited, a wholly-owned subsidiary of the Company, purchased in 2004 another 50,436,000 shares in TCL Electronics with a capital of HK\$126,814,000. As such, the difference between the accumulated investment of TCL Industries Holdings (HK) Limited in TCL Electronics (corresponding to a 54.83% interest) and the shareholders' equity of TCL Electronics attributable to TCL Industries Holdings (HK) Limited on the settlement date (equal to RMB36,259,000) was recorded in the Company's goodwill.

Note 8. TCL Industries Holdings (HK) Limited, a wholly-owned subsidiary of the Company, acquired in 2004 a 57.4% interest in TCL Communication with a consideration of RMB1,510,016,000. As such, the difference between the accumulated investment of TCL Industries Holdings (HK) Limited in TCL Communication (corresponding to a 57.4% interest) and the shareholders' equity of TCL Communication attributable to TCL Industries Holdings (HK) Limited on the settlement date (equal to RMB316,893,000) was recorded in the Company's goodwill. An impairment allowance of RMB194,551,000 had been established on this goodwill item for 2017.

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Note 9. TCL Communication, a subsidiary of the Company's subsidiary TCL Industries Holdings (HK) Limited, acquired in July 2007 a combined 61.46% interest in JRD Communication Inc. (hereinafter referred to as "JRDC") from the other shareholders, with a total consideration of US\$39,313,000 (equivalent to approximately RMB296,584,000). As such, the difference between the accumulated investment of TCL Communication in JRDC (corresponding to a 100% interest) and the fair value of the identifiable net assets of JRDC attributable to TCL Communication on the settlement date (equal to approximately RMB134,968,000) was recorded in the Company's goodwill.

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IV Notes to Consolidated Financial Statements (Continued)

20 Goodwill (Continued)

Note 10 The Company acquired in 2010 a 51.82% interest in TCL Medical Radiological Technology (Beijing) Co., Ltd. (hereinafter referred to as “TCL Medical Radiological Technology”) with a capital of RMB52,319,000. As such, the difference between the accumulated investment of the Company in TCL Medical Radiological Technology (corresponding to a 51.82% interest) and the fair value of the identifiable net assets of TCL Medical Radiological Technology attributable to the Company on the settlement date (equal to RMB28,967,000) was recorded in the Company’s goodwill.

Note 11 Huizhou TCL Environmental Resource Co., Ltd. (hereinafter referred to as “TCL Environmental Resource”), a subsidiary of the Company, acquired in 2010 the 100% interest in Huizhou TCL Environment Technology Co., Ltd. (hereinafter referred to as “TCL Environment Technology”) with a capital of RMB98,024,000. As such, the difference between the accumulated investment of TCL Environmental Resource in TCL Environment Technology (corresponding to a 100% interest) and the fair value of the identifiable net assets of TCL Environment Technology attributable to TCL Environmental Resource on the settlement date (equal to RMB92,952,000) was recorded in the Company’s goodwill.

Note 12 TCL Communication, a subsidiary of the Company’s wholly-owned subsidiary TCL Industries Holdings (HK) Limited, acquired in May 2011 the 100% interest in TCL Communication (Ningbo) Co., Ltd. (hereinafter referred to as “TCL Communication Ningbo”) with a capital of 11 million euros (equivalent to RMB102,690,000). As such, the difference between the accumulated investment of TCL Communication in TCL Communication Ningbo (corresponding to a 100% interest) and the fair value of the identifiable net assets of TCL Communication Ningbo attributable to TCL Communication on the settlement date (equivalent to RMB89,196,000) was recorded in the Company’s goodwill.

Note 13 Huizhou TCL Household Appliance Marketing Co., Ltd. (hereinafter referred to as “Huizhou TCL Household Appliance Marketing”), a subsidiary of TCL Electronics (a subsidiary of the Company’s wholly-owned subsidiary TCL Industries Holdings (HK) Limited), acquired in May 2014 a 21% interest in Toshiba Visual Products (China) Co., Ltd. (hereinafter referred to as “Toshiba Visual Products”) with a capital of RMB0. As such, the difference between the accumulated investment of Huizhou TCL Household Appliance Marketing in Toshiba Visual Products (corresponding to a 70% interest) and the fair value of the identifiable net assets of Toshiba Visual Products attributable to Huizhou TCL Household Appliance Marketing on the settlement date (equivalent to RMB12,065,000) was recorded in the Company’s goodwill. An impairment allowance of RMB12,065,000 had been established on this goodwill item for 2017.

Note 14 Tonly Electronics, a subsidiary of the Company’s wholly-owned subsidiary TCL Industries Holdings (HK) Limited, acquired in September 2015 the 100% interest in Pusheng Group Co., Ltd. (hereinafter referred to as “Pusheng Group”) with a capital of RMB95,546,000. As such, the difference between the accumulated investment of Tonly Electronics in Pusheng Group (corresponding to a 100% interest) and the fair value of the identifiable net assets of Pusheng Group attributable to Tonly Electronics on the settlement date (equivalent to RMB3,506,000) was recorded in the Company’s goodwill.

Note 15 Prosper Wide Limited and TCL Communication Technology Holdings Limited, subsidiaries of the Company’s wholly-owned subsidiary TCL Industries Holdings (HK) Limited, acquired in September 2015 a 40% interest and a 19.99% interest in East Fair Investments Limited (hereinafter referred to as “East Fair Investments”), respectively, with a capital of RMB9,600,000 and a capital of RMB4,798,000. As such, the difference between the accumulated investment of Prosper Wide Limited and TCL Communication Technology Holdings Limited in East Fair Investments (corresponding to a combined interest of 59.99%) and the fair value of the identifiable net assets of East Fair Investments attributable to Prosper Wide Limited and TCL Communication Technology Holdings Limited on the settlement date (equivalent to RMB50,729,000) was recorded in the Company’s goodwill. An impairment allowance of RMB50,729,000 had been established on this goodwill item for 2017.

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Note 16 Highly Information Industry Co., Ltd., a subsidiary of the Company, acquired in October 2016 a 60% interest in Qingdao Blue Business Consulting Co., Ltd. (hereinafter referred to as “Blue Business Consulting”) with a capital of RMB10,000,000. As such, the difference between the accumulated investment of Highly Information Industry Co., Ltd. in Blue Business Consulting (corresponding to a 60% interest) and the fair value of the identifiable net assets of Blue Business Consulting attributable to Highly Information Industry Co., Ltd. on the settlement date (equivalent to RMB2,452,000) was recorded in the Company’s goodwill.

Note 17 On 30 June 2018, the Company tested asset groups inclusive of goodwill for impairment.

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21 Long-Term Prepaid Expense

	1 January 2018	Increase in current period	Newly consolidated subsidiaries	Newly deconsolidat ed subsidiaries	Amortizat ion in current period	Other	30 June 2018
Improvement expense on leased fixed assets	853,233	4,539	-	-	(15,811)	-	841,961
Other	<u>75,891</u>	<u>212,795</u>	<u>-</u>	<u>(9,601)</u>	<u>(179,013)</u>	<u>16</u>	<u>100,088</u>
	<u>929,124</u>	<u>217,334</u>	<u>-</u>	<u>(9,601)</u>	<u>(194,824)</u>	<u>16</u>	<u>942,049</u>

22 Deferred Income Tax Assets and Deferred Income Tax Liabilities

(1) Deferred Income Tax Assets

	1 January 2018	Change in current period (charged to profit/loss)	Change in current period (charged to equity)	Newly consolidated subsidiaries	Exchang e adjustm ents	30 June 2018
Unrealized profits within the Group	250,385	(9,472)	-	-	(407)	240,506
Provisions	287,495	52,470	-	-	35	340,000
Deductible tax losses	66,610	(2,361)	-	11	(1,310)	62,950
Inventory valuation allowances	79,663	(9,042)	-	-	8	70,629
Financial instruments at fair value	72,038	9,451	3,903	-	173	85,565
Amortization of long-lived assets	29,219	-	-	-	-	29,219
Other	<u>86,433</u>	<u>19,761</u>	<u>10,659</u>	<u>-</u>	<u>337</u>	<u>117,190</u>
	<u>871,843</u>	<u>60,807</u>	<u>14,562</u>	<u>11</u>	<u>(1,164)</u>	<u>946,059</u>

(2) Deferred Income Tax Liabilities

	1 January 2018	Change in current period (charged to profit/loss)	Change in current period (charged to equity)	Newly consolidated subsidiaries	Exchang e adjustm ents	30 June 2018
Fair value adjustments of subsidiary acquisitions	55,844	(478)	-	-	51	55,417

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Financial instruments at fair value	17,035	8,466	(8,822)	-	-	16,679
Available-for-sale financial assets	753	-	-	-	-	753
Government subsidy adjustments	4,941	(3,129)	-	-	(43)	1,769
Other	192,584	(4,033)	-	-	(141)	188,410
	<u>271,157</u>	<u>826</u>	<u>(8,822)</u>	<u>-</u>	<u>(133)</u>	<u>263,028</u>

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23 Other Non-Current Assets

	1 January 2018	Increase in current period	decrease in current period	30 June 2018
Prepayments for equipment and land use rights (note 1)	2,493,017	5,545,530	(768,040)	7,270,507
Front-end investments for development projects	120,000	-	-	120,000
Wealth management instruments	201,080	-	(77,000)	124,080
Other	<u>574,856</u>	<u>172,009</u>	<u>(158,576)</u>	<u>588,289</u>
	-			
	<u>3,388,953</u>	<u>5,717,539</u>	<u>(1,003,616)</u>	<u>8,102,876</u>

Note 1 Prepayments for equipment and land use rights and some other long-lived assets were reclassified from prepayments to other non-current assets.



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IV Notes to Consolidated Financial Statements (Continued)

24 Short-Term Borrowings

Short-Term Borrowings by Category

	30 June 2018	31 December 2017
Pledge borrowings	1,178,271	1,394,814
Unsecured borrowings	<u>11,803,870</u>	<u>14,595,291</u>
	<u>12,982,141</u>	<u>15,990,105</u>

As at 30 June 2018, pledge borrowings from banks were equivalent to RMB1,178,271,000 (31 December 2017: RMB1,394,814,000), with letters of credit equivalent to RMB1,190,988,000 (31 December 2017: RMB1,404,853,000) as the pledge.

As at 30 June 2018, there were no overdue short-term borrowings.

25 Borrowings from Central Bank

As at 30 June 2018, the balance of the borrowings of TCL Finance Co., Ltd., a subsidiary of the Company, from the central bank was RMB230,406,000 (31 December 2017: RMB39,997,000).

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IV Notes to Consolidated Financial Statements (Continued)

26 Customer Deposits and Interbank Deposits

	30 June 2018	31 December 2017
Customer deposits and interbank deposits	<u>466,417</u>	<u>310,875</u>

Customer deposits and interbank deposits are deposits absorbed by subsidiary TCL Finance Co., Ltd. from its associates and joint ventures.

27 Financial Liabilities at Fair Value through Profit or Loss

	30 June 2018	31 December 2017
Derivative financial liabilities-forward forex contracts	194,241	349,506
Derivative financial liabilities –interest rate swap contracts	<u>276,163</u>	<u>93,436</u>
	<u>470,404</u>	<u>442,942</u>

The fair value of the Company's trading financial liabilities is their real-time quotes on the forex and interest rate open markets, and the change in fair value is the difference between the contractual price and the real-time quote on the forex or interest rate open market based on the forward exchange rate or interest rate on the balance sheet date.

28 Notes Payable

	30 June 2018	31 December 2017
Bank acceptance notes	1,246,706	1,206,258
Commercial acceptance notes	<u>771,348</u>	<u>855,213</u>
	<u>2,018,054</u>	<u>2,061,471</u>

As at 30 June 2018, notes payable to related parties were RMB8,793,000 (31 December 2017: RMB14,377,000), accounting for 0.44% of the total notes payable (31 December 2017: 0.70%). There were no notes payable to any shareholder with a 5% or greater voting stock.

29 Accounts Payable

Accounts payable are largely for purchases of raw materials and components. As at 30 June 2018, the carrying amount of accounts payable was RMB19,183,740,000 (31 December 2017: RMB19,324,249,000), of which accounts payable with aging over 1 year were RMB433,446,000 (31 December 2017: RMB154,765,000), accounting for approximately 2.26% of the total accounts payable (31 December 2017: 0.80%).

As at 30 June 2018, accounts payable to related parties were RMB273,130,000 (31 December 2017: RMB493,212,000), accounting for 1.42% of the total accounts payable (31 December 2017: 2.55%). For further information, see Note VII. There were no accounts payable to any shareholder with a 5% or greater voting stock.

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IV Notes to Consolidated Financial Statements (Continued)

30 Advances from Customers

Advances from customers as at the end of the current period were mostly advances on sales. As at 30 June 2018, there were no large-amount advances from customers with aging over 1 year.

As at 30 June 2018, advances from related parties were RMB3,672,000 (31 December 2017: RMB208,000), accounting for 0.28% of the total advances from customers (31 December 2017: 0.02%). There were no advances from any shareholder with a 5% or greater voting stock.

31 Payroll Payable and Long-Term Payroll Payable

(1) Payroll Payable

	30 June 2018	31 December 2017
Short-term payroll payable (note)	1,990,133	2,207,545
Defined contribution plans payable	12,928	15,624
Dismissal benefits payable	26,347	69,499
	<u>2,029,408</u>	<u>2,292,668</u>

(Note) Short-Term Payroll Payable

	1 January 2018	Increase in current period	Decrease in current period	30 June 2018
Wages and salaries, bonuses, allowances and subsidies	2,057,182	4,133,006	(4,677,134)	1,513,054
Social security contributions	18,465	121,798	(118,287)	21,976
Housing funds	5,615	119,359	(120,531)	4,443
Labour union funds	32,957	14,947	(15,206)	32,698
Employee education funds	71,038	35,566	(36,676)	69,928
Other	22,288	416,813	(91,067)	348,034
	<u>2,207,545</u>	<u>4,841,489</u>	<u>(5,058,901)</u>	<u>1,990,133</u>

(2) Long-Term Payroll Payable

	30 June 2018	31 December 2017
Supplementary old age security pensions (note)	24,906	25,519
	<u>24,906</u>	<u>25,519</u>

Note : Supplementary old age security pensions payable to retired employees.

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IV Notes to Consolidated Financial Statements (Continued)

32	Taxes Payable	30 June 2018	31 December 2017
	VAT	159,948	119,646
	Corporate income tax	378,413	759,743
	Individual income tax	88,917	117,032
	City construction tax	24,454	46,861
	Embankment fees	51,149	51,139
	Educational surcharges	18,654	35,151
	Waste electric appliance and electronic product treatment fund	68,697	58,448
	Other	91,518	85,772
		<u>881,750</u>	<u>1,273,792</u>

For the standards for provisions for taxes and the applicable tax rates, see Note III.

33	Interest Payable	30 June 2018	31 December 2017
	Interest payable on MTN	33,449	60,781
	Interest payable on corporate bonds	247,502	244,027
	Interest payable on short-term commercial papers	18,400	-
	Interest payable on bank borrowings	145,867	140,038
		<u>445,218</u>	<u>444,846</u>

34	Dividends Payable	30 June 2018	31 December 2017
	Non-controlling interests	71,251	47,110
		<u>71,251</u>	<u>47,110</u>

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IV Notes to Consolidated Financial Statements (Continued)

35 Other Payables

	30 June 2018	31 December 2017
Patent and franchise royalties	1,732,796	2,196,631
Engineering and equipment expense	8,523,534	5,676,045
Ordinary current accounts	3,802,017	3,128,571
Security deposits	366,298	636,414
Technological development fund and potential exploitation fund	9,685	7,618
Deposits from joint ventures and associates	15,477	15,477
Payables for equity transfers	795	9,018
Maintenance cost	571,257	660,012
Installation cost	348,806	183,676
R&D expense	192,318	213,395
Advertising expense	586,650	519,776
Transport and warehousing expense	396,536	346,414
Utilities	123,601	109,522
Rental expense	33,173	20,508
Sales promotional expense	293,474	427,472
Intermediary fees	377,252	374,420
Compensation for price adjustments	262,926	193,179
Sales commissions and rebates	856,019	874,094
Software and Internet service expense	85,892	130,789
Travel and office expense	52,555	68,243
Insurance expense	19,211	13,721
Other	950,789	857,802
Total	<u>19,601,061</u>	<u>16,662,797</u>

As at 30 June 2018, other payables to related parties were RMB656,666,000 (31 December 2017: RMB258,159,000), accounting for 3.35% of the total other payables (31 December 2017: 1.55%). For further information, see Note VII. There were no other payables to any shareholder with a 5% or greater voting stock.

36 Short-Term Commercial Papers Payable

	30 June 2018	31 December 2017
Short-term commercial papers (note)	<u>2,000,000</u>	<u>-</u>

Note The Phase 1 of 2018 Short-Term Commercial Papers of RMB2 billion issued by the Company in April 2018.

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IV Notes to Consolidated Financial Statements (Continued)

37 Current Portion of Non-Current Liabilities

	Note IV	30 June 2018	31 December 2017
Long-term borrowings (note 1)	39	2,759,804	4,930,778
MTN (note 2)		500,000	996,750
Corporate bonds		2,500,000	-
		<u>5,759,804</u>	<u>5,927,528</u>

Note 1 The current portion of long-term borrowings included RMB419,849,000 of unsecured borrowings, RMB831,370,000 of pledge borrowings and RMB1,508,585,000 of mortgage borrowings.

Note 2 The current portion of MTN of RMB500,000,000 as at the end of the current period was reclassified to the item of “current portion of non-current liabilities”.

Note 3 The current portion of bonds payable of RMB2,500,000,000 as at the end of the current period was reclassified to the item of “current portion of non-current liabilities”.

(1) Top Five of Current Portions of Long-Term Borrowings :

Lender	Start date	End date	Currency	Interest rate	30 June 2018
China Development Bank-6000 special account for loans	February 2011	January 2019	USD	3.00%	846,925
The Export-Import Bank of China (Guangdong branch)	June 2015	July 2018	RMB	3.15%	600,000
China Development Bank-a syndicated loan for the t2 project	March 2015	November 2018	USD	4.00%	330,830
China Development Bank-a syndicated loan for the t2 project	March 2015	May 2019	USD	4.00%	330,830
The Export-Import Bank of China (Guangdong branch)	December 2016	September 2018	RMB	2.65%	300,000
					<u>2,408,585</u>

38 Other Current Liabilities

	30 June 2018	31 December 2017
Financial assets sold under repurchase agreements	1,130,697	3,206,902
Currency swaps (note 1)	1,290,000	1,697,240
After-sales service expense (note 2)	1,088,132	1,109,100
Other	3,173	61,831
	<u>3,512,002</u>	<u>6,075,073</u>

Note 1 Currency swaps due within 1 year.

Note 2 After-sales service expense expected to occur within 1 year is reflected in current liabilities. After-sales service expense is increased by the provisions for such expense established in the current period, and decreased by such expense that occurred in the current period.

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IV Notes to Consolidated Financial Statements (Continued)

39 Long-Term Borrowings

	30 June 2018	31 December 2017
Mortgage borrowings	24,247,472	18,420,345
Pledge borrowings	831,370	1,026,190
Unsecured borrowings	6,447,462	5,767,624
	31,526,304	25,214,159
Of which: Current portion of long-term borrowings	(2,759,804)	(4,930,778)
	28,766,500	20,283,381

The maturities of the Company's long-term borrowings vary from 2018 to 2026.

As at 30 June 2018, the carrying amount of long-term mortgage borrowings was RMB24,247,472,000, with land use rights, buildings, machinery and equipment and construction in progress equivalent to RMB37,540,971,000 as the collateral.

As at 30 June 2018, the carrying amount of long-term pledge borrowings was RMB831,370,000 (31 December 2017: RMB1,026,190,000), with the Company's interest in TCL Industries Holdings (HK) Limited as the collateral.

Top Five Long-Term Borrowings:

Lender	Start date	End date	Currency	Interest rate	30 June 2018
China Development Bank-a syndicated loan for the t2 project	March 2015	March 2023	USD	4.00%	4,300,790
China Development Bank (Hubei branch)	April 2016	April 2024	USD	5.20%	3,791,312
China Development Bank-a syndicated loan for the t2 project	March 2015	March 2023	RMB	4.90%	3,513,600
China Development Bank (Hubei branch)	April 2016	February 2021	RMB	4.75%	2,310,000
China Development Bank (Hubei branch)	March 2018	January 2026	RMB	4.45%	1,870,000
					15,785,702

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IV Notes to Consolidated Financial Statements (Continued)

40 Bonds Payable

	30 June 2018	31 December 2017
MTN (note 1)	498,250	497,250
Corporate bonds (note 2)	8,499,998	9,999,998
	8,998,248	10,497,248

Note 1 The Company issued RMB500 million of five-year MTNs on 21 August 2013, and another RMB500 million of five-year MTNs on 2 April 2015. The RMB500 million of five-year MTNs that would be due within 1 year as at the end of the current period was reclassified to “current portion of non-current liabilities”.

Note 2 The Company issued RMB2.5 billion of 2016 three-year corporate bonds (phase 1) and RMB1.5 billion of five-year corporate bonds on 16 March 2016, RMB 2 billion of 2016 five-year corporate bonds (phase 2) on 7 July 2016, RMB1 billion of 2017 five-year corporate bonds (phase 1) on 19 April 2017, RMB3 billion of 2017 five-year corporate bonds (phase 2) on 7 July 2017, and RMB1 billion of 2018 five-year corporate bonds (phase 1) on 6 June 2018. The RMB2.5 billion of corporate bonds that would be due within 1 year as at the end of the current period was reclassified to “current portion of non-current liabilities”.

41 Long-Term Payables

	30 June 2018	31 December 2017
Technological development fund	73,000	73,000
Other	25,067	3,309
	98,067	76,309

42 Deferred Income

	30 June 2018	31 December 2017
Income-related government subsidies	3,106,229	2,664,877
	3,106,229	2,664,877



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IV Notes to Consolidated Financial Statements (Continued)

43 Share Capital

(In thousand shares)	1 January 2018		Change in current period			30 June 2018	
	Shares	Percentage	New issues	Other	Subtotal	Shares	Percentage
1. Restricted shares	4,513,615	33.40%	34,677	(2,726,574)	(2,691,897)	1,821,718	13.44%
1.1 Shares held by government	-	-	-	-	-	-	0.00%
1.2 Shares held by state-owned legal persons	1,244,019	9.20%	-	(1,244,019)	(1,244,019)	-	0.00%
1.3 Shares held by other domestic investors	3,179,064	23.53%	34,392	(1,482,554)	(1,448,162)	1,730,902	12.77%
Among which: Shares held by domestic non-state-owned legal persons	2,694,327	19.94%	-	(1,483,569)	(1,483,569)	1,210,758	8.94%
Shares held by domestic natural persons	484,737	3.59%	34,392	1,015	35,407	520,144	3.84%
1.4 Shares held by foreign investors	90,532	0.67%	284	-	284	90,816	0.67%
Among which: Shares held by foreign legal persons	90,532	0.67%	-	-	-	90,532	0.67%
Shares held by foreign natural persons	-	-	284	-	284	284	0.00%
2. Unrestricted shares	9,001,357	66.60%	-	2,726,574	2,726,574	11,727,931	86.56%
2.1 RMB-denominated ordinary shares	9,001,357	66.60%	-	2,726,574	2,726,574	11,727,931	86.56%
2.2 Domestically listed foreign shares	-	-	-	-	-	-	0.00%
2.3 Overseas listed foreign shares	-	-	-	-	-	-	0.00%
2.4 Other	-	-	-	-	-	-	0.00%
3. Total shares	<u>13,514,972</u>	<u>100.00%</u>	<u>34,676</u>	<u>-</u>	<u>34,677</u>	<u>13,549,649</u>	<u>100.00%</u>

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IV Notes to Consolidated Financial Statements (Continued)

43 Share Capital (Continued)

Note As at 30 June 2018, the Company's total share capital was 13,549,649,000 shares.

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.

44 Capital Reserves

	1 January 2018	Increase in current period	Decrease in current period	30 June 2018
Share premium (note)	4,901,361	28,781	-	4,930,142
Other capital reserves	<u>1,039,110</u>	<u>65,313</u>	<u>-</u>	<u>1,104,423</u>
	<u>5,940,471</u>	<u>94,094</u>	<u>-</u>	<u>6,034,565</u>

Note See the relevant analyses of the changes in financial statement data.

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IV Notes to Consolidated Financial Statements (Continued)

45 Surplus Reserves

	1 January 2018	Increase in current period	Decrease in current period	30 June 2018
Statutory surplus reserves	1,311,430	-	-	1,311,430
Discretionary surplus reserves	182,870	-	-	182,870
	<u>1,494,300</u>	<u>-</u>	<u>-</u>	<u>1,494,300</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, 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 net profits to the discretionary surplus reserves. Upon approval, the discretionary surplus reserves can be used to make up the previous loss or increase the share capital.

46 General Reserve

	1 January 2018	Increase in current period	Decrease in current period	30 June 2018
General reserve	<u>361</u>	<u>-</u>	<u>-</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 Finance Co., Ltd., this subsidiary appropriated 1% of its net profit as general reserve in the previous years.

47 Retained Earnings

	H1 2018	H1 2017
Beginning retained earnings	8,577,688	7,305,927
Net profit for current period	1,585,939	1,033,845
Decrease in current period	(1,354,965)	(977,095)
Including: Appropriated as surplus reserves	-	-
Distributed to ordinary shareholders as dividends	(1,354,965)	(977,095)
Ending retained earnings	<u>8,808,662</u>	<u>7,362,677</u>

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IV Notes to Consolidated Financial Statements (Continued)

48 Operating Revenue and Cost of Sales

	H1 2018		H1 2017	
	Operating revenue	Cost of sales	Operating revenue	Cost of sales
Core business	52,073,415	42,673,646	51,328,314	40,811,716
Non-core business	450,333	245,012	846,203	743,989
	<u>52,523,748</u>	<u>42,918,658</u>	<u>52,174,517</u>	<u>41,555,705</u>

(1) Core Business by Operating Division

	Revenue		Cost of sales		Gross profit	
	H1 2018	H1 2017	H1 2018	H1 2017	H1 2018	H1 2017
TCL Electronics	17,145,948	15,015,818	14,419,287	12,692,435	2,726,661	2,323,383
TCL Communication	4,661,221	6,865,486	3,603,990	5,355,697	1,057,231	1,509,789
CSOT	12,144,065	13,969,731	9,759,672	10,358,954	2,384,393	3,610,777
TCL Household Electric Appliance Group	10,633,312	9,226,969	9,095,910	7,871,483	1,537,402	1,355,486
Tonly Electronics	2,270,308	1,795,341	1,984,277	1,523,300	286,031	272,041
Marketing and logistics service business group	11,250,905	10,057,308	10,635,971	9,567,516	614,934	489,792
Others and eliminated intercompany accounts	<u>(6,032,344)</u>	<u>(5,602,339)</u>	<u>(6,825,461)</u>	<u>(6,557,669)</u>	<u>793,117</u>	<u>955,330</u>
	<u>52,073,415</u>	<u>51,328,314</u>	<u>42,673,646</u>	<u>40,811,716</u>	<u>9,399,769</u>	<u>10,516,598</u>

(2) Core Business by Operating Segment

	Revenue		Cost of sales		Gross profit	
	H1 2018	H1 2017	H1 2018	H1 2017	H1 2018	H1 2017
Domestic	27,626,264	28,323,154	22,144,576	22,903,520	5,481,688	5,419,634
Overseas	<u>24,447,151</u>	<u>23,005,160</u>	<u>20,529,070</u>	<u>17,908,196</u>	<u>3,918,081</u>	<u>5,096,964</u>
	<u>52,073,415</u>	<u>51,328,314</u>	<u>42,673,646</u>	<u>40,811,716</u>	<u>9,399,769</u>	<u>10,516,598</u>

The sales revenue from the top five customers combined was RMB8,558,458,000 and RMB8,950,429,000 respectively for H1 2018 and H1 2017, accounting for 16.44% and 17.44% of the core business revenue.

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IV Notes to Consolidated Financial Statements (Continued)

49 Interest Income/(Expense) and Exchange Income/(Loss)

	H1 2018	H1 2017
Interest income	58,099	120,056
Interest expense	41,336	32,372
Exchange income/(loss)	(24,065)	(9,630)

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

50 Taxes and Surcharges

	H1 2018	H1 2017
City construction and maintenance tax	63,382	55,214
Commodity circulation tax (Brazil)	6,107	48,780
Educational surcharge	46,835	29,654
Stamp tax	43,434	39,198
Property tax	50,049	31,881
Land use tax	8,211	9,085
Other	100,524	36,572
	318,542	250,384

The applicable tax and surcharge standards are detailed in Note III.

51 Finance Costs

	H1 2018	H1 2017
Interest expense	904,654	734,386
Less: Interest income	(385,014)	(196,643)
Exchange loss/(income)	(173,933)	201,725
Other	95,605	71,765
	441,312	811,233

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IV Notes to Consolidated Financial Statements (Continued)

52 Asset Impairment Loss

	H1 2018	H1 2017
Loss on uncollectible accounts	109,951	26,122
Inventory valuation loss	469,430	152,608
Loss on impairments of available-for-sale financial assets	4,299	1,447
Loss on impairments of discounted notes	3,773	1,573
Loss on impairments of fixed assets	47,065	193
	<u>634,518</u>	<u>181,943</u>

53 Gains/(Losses) on Changes in Fair Value

	H1 2018	H1 2017
Financial assets/liabilities at fair value through profit or loss –forward forex contracts	(79,169)	125,610
Financial liabilities at fair value through profit or loss-wealth management instruments	(24,425)	14,794
Financial assets at fair value through profit or loss-interest rate swap contracts	(317)	(9,392)
	<u>(103,911)</u>	<u>131,012</u>

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IV Notes to Consolidated Financial Statements (Continued)

54 Investment Income

	H1 2018	H1 2017
Investment income from disposal of wealth management instruments	386,543	211,701
Income from disposal of derivative financial assets/liabilities	(33,745)	43,867
Income from investments in money market funds	-	4,155
Share of current period profit/(loss) of associates	604,488	395,494
Share of current period profit/(loss) of joint ventures	10,739	(8,950)
Net income from disposal of long-term equity investments	17,651	20,708
Investment income from disposal of available-for-sale financial assets	91,563	68,978
Investment income during period of holding available-for-sale financial assets	16,719	63,292
	<u>1,093,958</u>	<u>799,245</u>

55 Asset Disposal Income

	H1 2018	H1 2017
Income from disposal of fixed assets (loss shown in brackets)	85	5,045
Income from disposal of intangible assets (loss shown in brackets)	(10)	8
Income from disposal of other non-current assets (loss shown in brackets)	54	-
	<u>129</u>	<u>5,053</u>

56 Other Income

	H1 2018	H1 2017
R&D subsidies	890,017	360,113
VAT rebates on software	162,378	261,727
	<u>1,052,395</u>	<u>621,840</u>

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IV Notes to Consolidated Financial Statements (Continued)

57 Non-Operating Income

	H1 2018	H1 2017
Gains on retired or damaged non-current assets	367	4,440
Including: Gains on retired or damaged fixed assets	367	2,184
Gains on retired or damaged intangible assets	-	2,256
Negative goodwill	-	82,582
Other	346,387	79,312
	<u>346,754</u>	<u>166,334</u>

58 Non-Operating Expense

	H1 2018	H1 2017
Losses on retired or damaged non-current assets	729	10,345
Including: Losses on retired or damaged fixed assets	722	10,345
Losses on retired or damaged intangible assets	7	-
Other	43,474	54,351
	<u>44,203</u>	<u>64,696</u>

59 Income Tax Expense

	H1 2018	H1 2017
Current income tax expense	544,896	562,232
Deferred income tax expense (note)	(59,981)	(1,171)
	<u>484,915</u>	<u>561,061</u>

Note For further information on the deferred income tax expense as recognized in the income statement for the current period, see Note IV, item 22.



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IV Notes to Consolidated Financial Statements (Continued)

60 Other Comprehensive Income

(1) Other Comprehensive Income Items, Income Tax Effects and Reclassifications to Profit or Loss

	H1 2018	H1 2017
Share of other comprehensive income of investees that will be reclassified to profit or loss under equity method	(5,092)	88,475
Gain/(Loss) on available-for-sale financial assets	-	215,060
Previous other comprehensive income reclassified to profit for current period	(218,318)	(53,025)
Subtotal	(218,318)	162,035
Current gain/(loss) on cash flow hedges	(110,096)	171,807
Previous other comprehensive income reclassified to profit for current period	(37,265)	15,289
Income tax effects recorded in other comprehensive income for current period	23,384	-
Subtotal	(123,977)	187,096
Differences arising from translation of foreign currency-denominated financial statements	(125,562)	357,866
Total	(472,949)	795,472

(2) Changes in Other Comprehensive Income Items

	<u>Equity attributable to shareholders of the Company as the parent</u>						
	Share of other comprehensive income of investees that will be reclassified to profit or loss under equity method	Gain/Loss on changes in fair value of available-for-sale financial assets	Gain/(Loss) on changes in cash flow hedges	Differences arising from translation of foreign currency-denominated financial statements	Subtotal	Non-controlling interests	Total other comprehensive income
1 January 2017	44,356	303,079	(220,378)	(1,492,220)	(1,365,163)	(89,842)	(1,455,005)
Change in 2017	11,718	97,301	341,707	1,133,709	1,584,435	137,911	1,722,346
31 December 2017	56,074	400,380	121,329	(358,511)	219,272	48,069	267,341
Change in H1 2018	(5,025)	(218,318)	(108,896)	(113,085)	(445,324)	(27,625)	(472,949)
30 June 2018	51,049	182,062	12,433	(471,596)	(226,052)	20,444	(205,608)

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IV Notes to Consolidated Financial Statements (Continued)

61 Earnings per Share (EPS)

(1) Basic EPS

	H1 2018	H1 2017
Net profit attributable to owners of the Company as the parent	1,585,939	1,033,845
Weighted average outstanding ordinary shares (in thousand shares)	13,526,146	12,213,682
Basic EPS (RMB yuan/share)	0.1173	0.0846

(2) Diluted EPS

	H1 2018	H1 2017
Net profit attributable to owners of the Company as the parent	1,585,939	1,033,845
Diluted weighted average outstanding ordinary shares (in thousand shares)	13,542,435	12,213,682
Diluted EPS (RMB yuan/share)	0.1172	0.0846

62 Cash Generated from Other Operating Activities

Cash generated from other operating activities in the consolidated cash flow statement was RMB1,881,237,000, which primarily consisted of other current payments received and government subsidies.

63 Cash Used in Other Operating Activities

Cash used in other operating activities in the consolidated cash flow statement was RMB8,363,572,000, which primarily consisted of selling expense and administrative expense.

64 Cash Used in Other Financing Activities

None.

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IV Notes to Consolidated Financial Statements (Continued)

65 Net Cash Generated from/Used in Operating Activities

Reconciliation of Net Profit to Net Cash Generated from/Used in Operating Activities

	H1 2018	H1 2017
Net profit	1,700,841	1,661,319
Add: Asset impairment allowance	634,518	181,943
Depreciation of fixed assets	3,457,799	2,700,024
Amortization of intangible assets	268,057	200,523
Amortization of long-term prepaid expense	194,824	129,448
Loss/(Income) from disposal of fixed assets, intangible assets and other long-lived assets	(129)	852
Loss/(Income) on retired or damaged fixed assets	379	-
Loss/(Gain) on changes in fair value	103,911	(131,012)
Finance costs	796,123	978,113
Investment income	(1,093,958)	(799,245)
Increase/(Decrease) in deferred income tax assets	(74,216)	(10,574)
Increase/(Decrease) in deferred income tax liabilities	(8,129)	2,240
Decrease/(Increase) in inventories	574,843	(72,414)
Increase in operating receivables	(176,106)	(298,476)
Decrease in operating payables	(2,073,055)	(969,526)
Other	69,524	(100,674)
Net cash generated from/used in operating activities	<u>4,375,226</u>	<u>3,472,541</u>

66 Changes in Cash and Cash Equivalents, Net

Ending cash and cash equivalents	16,503,805	22,207,850
Less: Beginning cash	<u>(23,281,169)</u>	<u>(23,815,656)</u>
Net increase in cash and cash equivalents	<u>(6,777,364)</u>	<u>(1,607,806)</u>

Analysis of ending cash and cash equivalents:

Ending monetary capital	17,612,564	24,028,220
Less: Ending non-cash equivalents (note)	<u>(1,108,759)</u>	<u>(1,820,370)</u>
Ending cash and cash equivalents	<u>16,503,805</u>	<u>22,207,850</u>

Note: The ending non-cash equivalents primarily included bank deposits, the required reserve deposited by TCL Finance Co., Ltd. in the central bank and other monetary capital. For further information, see Note IV, item 1.

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V Changes in Consolidation Scope

1 Newly Consolidated Entities for Current Period

Investee	Consolidated period	Reason for change	Registered capital	The Company's interest
Guangdong Tonly Precision Structural Parts Co., Ltd.	Feb.-Jun. 2018	Newly incorporated	RMB 20,000,000	100%
TCL Netherlands B.V.	Feb.-Jun. 2018	Newly incorporated	-	100%
China Star Optoelectronics Technology (Japan) Co., Ltd.	Mar.-Jun. 2018	Newly incorporated	JPY 10,000,000	100%
Ningbo TCL Equity Investment Co., Ltd.	H1 2018	Newly incorporated	RMB 30,000,000	99%
Karley Investment Limited	H1 2018	Newly incorporated	USD 1	100%
Zhonggang Finance Group Limited	H1 2018	Newly incorporated	HKD 1	100%
Guangxi Tonly Electronics Technology Co., Ltd.	Mar.-Jun. 2018	Newly incorporated	RMB 50,000,000	100%
TCL Air-Conditioner (Jiujiang) Co., Ltd.	Feb.-Jun. 2018	Newly incorporated	RMB 20,000,000	100%
Beijing Xunying Renren Medical Technologies Co., Ltd.	Feb.-Jun. 2018	Newly incorporated	RMB 50,000,000	100%
Shenzhen Xiaoxiang Technology Development Co., Ltd.	Apr.-Jun. 2018	Newly incorporated	RMB 15,000,000	100%
TCL Ventures Inc	Jun. 2018	Newly incorporated	RMB 10,000,000	100%
TCL Ventures Fund Limited Partnership	Jun. 2018	Acquired	RMB 1,000,000	100%
Peaklink Investments Limited	Jun. 2018	Newly incorporated	RMB 50,000	100%
TCL Intelligent Appliances (Vietnam) Co., Ltd.	Jun. 2018	Newly incorporated	VND 11,000,000	100%

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V Changes in Consolidation Scope (Continued)

2 Deconsolidated Entities for Current Period

Investee	Date of deconsolidation	Reason for change	Net assets at transfer day/dissolution day	Net profit in consolidated period
TCL Network Equipment (Shenzhen) Co., Ltd.	2018/1/1	Dissolved	-	-
Foshan TCL Household Appliances (Nanhai) Co., Ltd.	2018/2/1	Dissolved	-	(170)
Huizhou TCL Hyperpower Batteries Inc.	2018/2/28	Transferred	69,795	(6,333)
Qijing Sunpiestore Technology Co., Ltd.	2018/3/1	Dissolved	-	-
Cheers Overseas Limited	2018/5/31	Dissolved	-	(16,748)
JRD (Beijing) Technology Co., Ltd.	2018/5/31	Dissolved	-	(737)
Beijing Luote Pacific Communication Technology Co., Ltd.	2018/1/1	Dissolved	-	-
Shanke Technology Holdings Limited	2018/2/28	Transferred	-	-
TCT Mobile (Singapore) Pte.Ltd	2018/6/30	Dissolved	-	-
Huizhou Taichuang Investment Development Co., Ltd.	2018/1/31	Transferred	15,439	-
Canyon Circuit Technology (Huizhou) Co., Ltd.	2018/3/31	Transferred	81,121	1,727
Tairui (Hong Kong) Limited	2018/3/31	Transferred	(140)	43
TCT Mobile - Telefonos LTDA	2018/3/31	Transferred	376,688	(33,411)
Petro AP (Hong Kong) Company Limited	2018/3/31	Transferred	678,748	(11,131)
PETRO AP S.A.	2018/3/31	Transferred	(274,804)	(1,941)
Xi'an TCL Industrial Technology Research Institute Co., Ltd.	2018/3/31	Dissolved	-	(118)

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V Changes in Consolidation Scope (Continued)

3 Subsidiaries Disposed in Current Period

Subsidiary	Huizhou Taichuang Investment Development Co., Ltd.	Huizhou TCL Hyperpower Batteries Inc.	Canyon Circuit Technology (Huizhou) Co., Ltd.	Tairui (Hong Kong) Limited	TCT Mobile - Telefonos LTDA	Petro AP (Hong Kong) Company Limited
Price for equity interest disposal	50,821	62,498	80,515	81	380,954	-
% equity interest disposed	100%	100.00%	35.00%	28.35%	100.00%	-
Way of disposal	Transfer	Transfer	Transfer	Transfer	Transfer	Transfer
Time of loss of control	Jan. 2018	Feb. 2018	Mar. 2018	Mar. 2018	Mar. 2018	Mar. 2018
Determination basis for time of loss of control	When the rights and obligations in relation to the target equity interest have all been transferred	When the rights and obligations in relation to the target equity interest have all been transferred	When the rights and obligations in relation to the target equity interest have all been transferred	When the rights and obligations in relation to the target equity interest have all been transferred	When the rights and obligations in relation to the target equity interest have all been transferred	When the rights and obligations in relation to the target equity interest have all been transferred
Difference between the disposal price and the Company's share of the subsidiary's net assets in the consolidated financial statements relevant to the disposed equity interest	35,382	4,931	414	225	(43,475)	10,016

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VI Interests in Other Entities

1 Interests in Subsidiaries

(1) Major Subsidiaries

Investee	Place of registration	Nature of business	Registered capital (in RMB yuan)	The Company's interest		How subsidiary was obtained
				Direct	Indirect	
TCL Industries Holdings (HK) Limited	Hong Kong	Investment holdings	HKD 1,578,942,506	100%	-	Incorporated
TCL Electronics Holdings Limited	Cayman Islands	Investment holdings	HKD 2,333,388,113	-	52.46%	Incorporated
Guangzhou Digital Lehua Technology Co., Ltd.	Guangzhou	Manufacturing and marketing	RMB 120,000,000	-	70%	Incorporated
Shenzhen TCL New Technology Co., Ltd.	Shenzhen	R&D	HKD 10,000,000	-	100%	Incorporated
Shenzhen TCL Digital Technology Co., Ltd.	Shenzhen	R&D	RMB 100,000,000	-	100%	Incorporated
TCL King Electrical Appliances (Huizhou) Co., Ltd.	Huizhou	Manufacturing and marketing	HKD 507,562,684	-	98.51%	Incorporated
TCL Overseas Electronics (Huizhou) Ltd.	Huizhou	Manufacturing and marketing	RMB 239,330,000	-	100%	Incorporated
TCL Operation Polska Sp.zo.o	Poland	Manufacturing and marketing	PLN 126,716,500	-	100%	Incorporated
TCL Moka Manufacturing, S.A. de C.V.	Mexico	Manufacturing and marketing	MXN 50,000	-	100%	Obtained in a business combination not under common control
TCL (Vietnam) Corporation Ltd.	Vietnam	Manufacturing and marketing	VND 37,135,000,000	-	100%	Incorporated
Huizhou TCL Household Appliance Marketing Co., Ltd.	Huizhou	Marketing	RMB 30,000,000	-	100%	Incorporated
TCL Electronics (HK) Limited	Hong Kong	Marketing	HKD 30,000,000	-	100%	Incorporated
TCL verseas Marketing (Macao Commercial Offshore) Limited	Macao	Marketing	MOP 100,000	-	100%	Incorporated
TCL Communication Technology Holdings Limited	Cayman Islands	Investment holdings	HKD 1,275,545,082	-	51%	Incorporated
TCL Communication Technology (Chengdu) Co., Ltd.	Chengdu	R&D	USD 12,000,000	-	100%	Incorporated

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VI Interests in Other Entities (Continued)

1 Interests in Subsidiaries (Continued)

(1) Major Subsidiaries (Continued)

Investee	Place of registration	Nature of business	Registered capital (in RMB yuan)	The Company's interest		How subsidiary was obtained
				Direct	Indirect	
JRD Communication (Shanghai) Co., Ltd.	Shanghai	R&D	USD 10,000,000	-	100%	Incorporated
TCL Mobile Communication Technology (Ningbo) Co., Ltd.	Ningbo	R&D	USD 5,000,000	-	100%	Incorporated
JRD Communication (Shenzhen) Ltd.	Shenzhen	R&D	USD 10,000,000	-	100%	Incorporated
Huizhou TCL Mobile Communication Co., Ltd.	Huizhou	Manufacturing and marketing	USD 199,600,000	-	100%	Incorporated
TCL Mobile Communication Company Limited (HK)	Hong Kong	Marketing	HKD 5,000,000	-	100%	Incorporated
TCT Mobile Europe SAS	France	Marketing	EUR 23,031,072	-	100%	Incorporated
TCT Mobile (US) Inc.	The U.S.	Marketing	USD 1	-	100%	Incorporated
TCT Mobile International Ltd	Hong Kong	Marketing	HKD 5,000,000	-	100%	Incorporated
TCT Mobile SA de CV	Mexico	Marketing	MXN 1,299,103,498	-	100%	Incorporated
"TMC Rus" Limited Liability Company	Russia	Marketing	RUB 10,000	-	99%	Incorporated
TCT Mobile Italy S.R.L	Italy	Marketing	EUR 10,000	-	100%	Incorporated
Shenzhen China Star Optoelectronics Technology Co., Ltd.	Shenzhen	Manufacturing and marketing	RMB 18,341,942,877	86.81%	-	Incorporated
Shenzhen China Star Optoelectronics Semiconductor Display Technology Co., Ltd.	Shenzhen	Manufacturing and marketing	RMB 21,500,000,000	-	57.29%	Incorporated



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VI Interests in Other Entities (Continued)

1 Interests in Subsidiaries (Continued)

(1) Major Subsidiaries (Continued)

Investee	Place of registration	Nature of business	Registered capital (in RMB yuan)	The Company's interest		How subsidiary was obtained
				Direct	Indirect	
Guangzhou China Ray Optoelectronic Materials Co., Ltd.	Guangzhou	R&D	RMB 30,000,000	-	100%	Incorporated
Wuhan China Star Optoelectronics Technology Co., Ltd. (note 1)	Wuhan	Manufacturing and marketing	RMB 8,760,000,000	-	43.04%	Incorporated
Wuhan China Star Optoelectronics Semiconductor Display Technology Co., Ltd.	Wuhan	Manufacturing and marketing	RMB 1,800,000,000	-	34.43%	Incorporated
Shenzhen CPT Display Technology Co., Ltd.	Shenzhen	Manufacturing and marketing	USD 30,000,000	-	100%	Obtained in a business combination not under common control
China Star Optoelectronics International (HK) Limited	Hong Kong	Marketing	USD 9,000,000	-	100%	Incorporated
China Display Optoelectronics Technology Holdings Limited	Bermuda	Investment holdings	HKD 208,385,062	-	52.59%	Obtained in a business combination not under common control
CHINA Display Optoelectronics Technology (Huizhou) Co., Ltd.	Huizhou	Manufacturing and marketing	RMB 231,900,000	-	100%	Incorporated
Wuhan China Display Optoelectronics Technology Co., Ltd.	Wuhan	Manufacturing and marketing	RMB 500,000,000	-	100%	Incorporated
Huizhou TCL Household Electric Appliance Group Co., Ltd.	Huizhou	Investment holdings	RMB 448,000,000	100%	-	Incorporated
Zhongshan Haibeirui Intelligent Software Technology Co., Ltd.	Zhongshan	R&D	RMB5,000,000	-	100%	Incorporated
TCL Intelligent Technology (Hefei) Co., Ltd.	Hefei	R&D	RMB1,000,000	-	100%	Incorporated
TCL Air-Conditioner (Zhongshan) Co., Ltd.	Zhongshan	Manufacturing and marketing	USD 62,311,649	-	80%	Incorporated
TCL Delong Home Appliances (Zhongshan) Co., Ltd.	Zhongshan	Manufacturing and marketing	USD 5,000,000	-	100%	Incorporated
Zhongshan TCL Refrigeration Equipment Co., Ltd.	Zhongshan	Manufacturing and marketing	RMB 20,000,000	-	100%	Incorporated
TCL Home Appliances (Zhongshan) Co., Ltd.	Zhongshan	Manufacturing and marketing	RMB 80,000,000	-	100%	Incorporated

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VI Interests in Other Entities (Continued)

1 Interests in Subsidiaries (Continued)

(1) Major Subsidiaries (Continued)

Investee	Place of registration	Nature of business	Registered capital (in RMB yuan)	The Company's interest		How subsidiary was obtained
				Direct	Indirect	
TCL Air Conditioner (Wuhan) Co., Ltd.	Wuhan	Manufacturing and marketing	RMB 110,878,990	-	100%	Incorporated
TCL Home Appliances (Hefei) Co., Ltd.	Hefei	Manufacturing and marketing	RMB 300,000,000	100%	-	Incorporated
TCL Home Appliances (Hong Kong) Limited	Hong Kong	Marketing	HKD 100,000	-	100%	Incorporated
TCL Home Appliances (North America) Co.	The U.S.	Marketing	USD 100,000	-	100%	Incorporated
Tonly Electronics Holdings Limited	The Virgin Islands	Investment holdings	HKD 268,357,390	-	48.73%	Incorporated
Shenzhen Tonly Technology Development Co., Ltd.	Shenzhen	R&D	RMB 10,000,000	-	100%	Incorporated
Xi'an TCL Software Development Co., Ltd.	Xi'an	R&D	USD 2,000,000	-	100%	Incorporated
TCL Tonly Electronics (Huizhou) Co., Ltd.	Huizhou	Manufacturing and marketing	RMB 161,500,000	-	100%	Incorporated
Dongguan Pusheng Electronic Technology Co., Ltd.	Dongguan	Manufacturing and marketing	RMB 31,700,000	-	100%	Obtained in a business combination not under common control
TCL OEM Marketing Co., Ltd.	Hong Kong	Marketing	HKD 2	-	100%	Incorporated
TCL Tonly Technology (Hong Kong) Limited	Hong Kong	Marketing	HKD 50,000,000	-	100%	Incorporated
TCL Commercial Information Technology (Huizhou) Co., Ltd.	Huizhou	Manufacturing and marketing	RMB 100,000,000	65%	-	Incorporated
TCL New Technology (Huizhou) Co., Ltd.	Huizhou	Manufacturing and marketing	RMB 80,000,000	-	100%	Incorporated
Huizhou TCL Light Electrical Appliances Co., Ltd.	Huizhou	Manufacturing and marketing	RMB 70,000,000	100%	-	Incorporated

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Huizhou VERY Light Source Technology Co., Ltd.	Huizhou	Manufacturing and marketing	-	100%	Obtained in a business combination not under common control
			RMB		
			100,077,277		

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VI Interests in Other Entities (Continued)

1 Interests in Subsidiaries (Continued)

(1) Major Subsidiaries (Continued)

Investee	Place of registration	Nature of business	Registered capital (in RMB yuan)	The Company's interest		How subsidiary was obtained
				Direct	Indirect	
Guangzhou Sky-tech Cloud Info Co., Ltd.	Guangzhou	Information technology	USD 200,000,000	-	100%	Incorporated
Guangzhou Sky-tech Information Technology Co., Ltd.	Shichang Guangzhou	Information technology	RMB 10,000,000	-	100%	Incorporated
TCL Healthcare Holding Co., Ltd.	Hong Kong	Investment holdings	USD 74,060,000	-	66.67%	Incorporated
Guangzhou TCL Medical Equipment Co., Ltd.	Guangzhou	Manufacturing and marketing	RMB 200,000,000	-	100%	Incorporated
TCL Medical MRI Technology (Wuxi) Co., Ltd.	Wuxi	Manufacturing and marketing	USD 30,000,000	-	100%	Incorporated
TCL Medical Ultrasonic Technology (Wuxi) Co., Ltd.	Wuxi	Manufacturing and marketing	USD 30,000,000	-	100%	Incorporated
TCL Medical Radiological Technology (Beijing) Co., Ltd.	Beijing	Manufacturing and marketing	RMB 125,346,000	100%	-	Obtained in a business combination not under common control
Huizhou TCL Environmental Resource Co., Ltd.	Huizhou	Investment holdings	RMB 300,000,000	91%	-	Incorporated
TCL Aobo Environmental Protection and Development Co., Ltd.	Tianjin	Manufacturing and marketing	RMB 150,000,000	-	60%	Incorporated
Huizhou TCL Environment Technology Co., Ltd.	Huizhou	Manufacturing and marketing	RMB 110,000,000	-	51%	Obtained in a business combination not under common control
Shantou TCL Deqing Environmental Protection Development Co., Ltd.	Shantou	Manufacturing and marketing	RMB 50,000,000	-	51%	Incorporated
TCL Educational Web Ltd.	The Virgin Islands	Investment holdings	HKD 42,819,044	-	100%	Incorporated

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Shenzhen TCL Educational Technology Co., Ltd.	Shenzhen	Educational service	HKD 31,000,000	-	100%	Incorporated
Confucius Institute (Beijing) E-Learning Technology Center Co., Ltd.	Beijing	Educational service	RMB 39,000,000	-	80%	Incorporated
GoLive TV Tech Co., Ltd.	Beijing	Information technology	RMB 30,834,300	-	100%	Incorporated

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VI Interests in Other Entities (Continued)

1 Interests in Subsidiaries (Continued)

(1) Major Subsidiaries (Continued)

Investee	Place of registration	Nature of business	Registered capital (in RMB yuan)	The Company's interest		How subsidiary was obtained
				Direct	Indirect	
Quanying Technology (Beijing) Co., Ltd.	Beijing	Information technology	USD 750,000	-	100%	Obtained in a business combination not under common control
Shenzhen TCL Smart Home Technologies Co., Ltd.	Shenzhen	Information technology	RMB 90,000,000	-	100%	Incorporated
Shenzhen HAWK Internet Co., Ltd.	Shenzhen	Internet services	RMB 500,000,000	100%-	-	Incorporated
Shenzhen HAWK Cloud Information Technology Co., Ltd.	Beijing	Internet services	RMB 20,000,000	100%	-	Incorporated
TCL Culture Media (Shenzhen) Co., Ltd.	Shenzhen	Ad planning	RMB 550,000,000	100%	-	Incorporated
Huizhou Cool Friends Network Technology Co., Ltd.	Huizhou	E-commerce	RMB 500,000,000	55%	45%	Incorporated
Koyoo Online Service CO., Ltd.	Huizhou	After-sales service	RMB 35,000,000	100%	-	Incorporated
SHIFENDAOJIA Online Service Co., Ltd.	Shenzhen	Services	RMB 38,991,526	-	48.20%	Incorporated
Highly Information Industry Co., Ltd.	Beijing	Product distribution	RMB 132,600,000	73.69%	-	Incorporated
Beijing Sunpiestore Technology Co., Ltd.	Beijing	Marketing	RMB 20,000,000	-	60%	Incorporated
Beijing Lingyun Data Technology Co., Ltd.	Beijing	Marketing	RMB 15,000,000	-	75%	Incorporated
TCL Finance Holdings Group (Guangzhou) Co., Ltd.	Shenzhen	Finance	RMB 1,000,000,000	100%	-	Incorporated
TCL Finance Co., Ltd.	Huizhou	Finance	RMB 1,500,000,000	82%	18%	Incorporated
TCL Finance Technology (Shenzhen) Co., Ltd.	Shenzhen	Finance	RMB 5,000,000	-	100%	Incorporated
Shenzhen Baisi Asset Management Co., Ltd.	Shenzhen	Asset management	RMB 30,000,000	-	100%	Incorporated

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VI Interests in Other Entities (Continued)

1 Interests in Subsidiaries (Continued)

(1) Major Subsidiaries (Continued)

Investee	Place of registration	Nature of business	Registered capital (in RMB yuan)	The Company's interest		How subsidiary was obtained
				Direct	Indirect	
TCL Financial Service (Shenzhen) Co., Ltd.	Shenzhen	Financial service	RMB 5,000,000	-	100%	Incorporated
TCL Commercial Factoring (Shenzhen) Co., Ltd.	Shenzhen	Commercial factoring	RMB100,000,000	-	100%	Incorporated
Huizhou Zhongkai TCL Zhirong Technology Microcredit Co., Ltd.	Huizhou	Finance	RMB200,000,000	80%	-	Acquired
Xinjiang TCL Equity Investment Co., Ltd.	Huizhou	Investment	RMB200,000,000	100%	-	Incorporated
Petro AP Limited (note 2)	The Virgin Islands	Investment holdings	USD 12,000,000	-	45%	Incorporated
TCL Technology Park Co., Ltd.	Zhuhai	Property management	RMB3,000,000,000	100%	-	Incorporated
TCL Technology Park (Huizhou) Co., Ltd.	Huizhou	Property management	RMB500,000,000	100%	-	Incorporated
Shenzhen TCL Real Estate Co., Ltd.	Shenzhen	Property management	RMB100,000,000	-	70%	Incorporated
Shenzhen TCL Lighting Technology Co., Ltd.	Shenzhen	Property management	RMB200,000,000	-	60%	Incorporated
Winshero Investment Limited	The Virgin Islands	Investment	USD 1	-	100%	Incorporated
Shenzhen TCL Industrial Technology Research Institute, Ltd.	Shenzhen	R&D	RMB50,000,000	-	100%	Incorporated

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VI Interests in Other Entities  
(Continued)

1 Interests in Subsidiaries (Continued)

(1) Major Subsidiaries (Continued)

Investee	Place of registration	Nature of business	Registered capital (in RMB yuan)	The Company's interest		How subsidiary was obtained
				Direct	Indirect	
TCL Research America Inc.	The U.S.	R&D	USD 10	-	100%	Incorporated
TCL Industrial Technology Research Institute (Hong Kong) Limited	Hong Kong	R&D	HKD 30,000,000	-	100%	Incorporated
Thunderbird Technology Holding Limited	Hong Kong	Investment holding	HKD 1	-	100%	Incorporated
Guangdong TCL Smart Heating & Ventilation Equipment Co., Ltd.		Zhongshan Manufacturing and marketing	RMB 100,000,000	-	80%	Incorporated

Note 1 Shenzhen China Star Optoelectronics Technology Co., Ltd. (hereinafter referred to as "CSOT"), a subsidiary of the Company, has a 43.04% interest in Wuhan China Star Optoelectronics Technology Co., Ltd. (hereinafter referred to as "Wuhan CSOT"). CSOT appoints key management personnel of Wuhan CSOT and decides its business and financial policies, so CSOT is considered to have substantial control over Wuhan CSOT. Therefore, Wuhan CSOT is included in the Company's consolidated financial statements.

Note 2 TCL Industries Holdings (HK) Limited, a wholly-owned subsidiary of the Company, is the biggest shareholder of Petro AP Limited, taking over half of the board seats. Therefore, TCL Industries Holdings (HK) Limited is considered to have substantial control over the business and financial policies of Petro AP Limited, which is thus included in the Company's consolidated financial statements.



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VI Interests in Other Entities (Continued)

1 Interests in Subsidiaries (Continued)

(2) Subsidiaries with Significant Non-Controlling Interests

Subsidiary	Non-controlling interests	Profit or loss attributable to non-controlling interests for current period	Dividends distributed to non-controlling interests for current period	Ending equity attributable to non-controlling interests
TCL Electronics Holdings Limited Shenzhen China Star Optoelectronics Technology Co., Ltd.	47.48%	217,270	136,414	3,998,552
Highly Information Industry Co., Ltd.	13.19%	58,478	285,625	22,623,400
	26.31%	24,791	15,699	5,398

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VI Interests in Other Entities (Continued)

1 Interests in Subsidiaries (Continued)

(2) Subsidiaries with Significant Non-Controlling Interests

The following table presents the key financial information of the aforesaid subsidiaries:

	30 June 2018						31 December 2017					
	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 Electronics Holdings Limited Shenzhen China Star	17,059,281	2,651,321	19,710,602	10,787,681	556,002	11,343,683	18,942,326	2,826,681	21,769,007	14,865,668	485,010	15,350,678
Optoelectronics Technology Co., Ltd.	42,381,104	59,704,387	102,085,491	28,386,716	29,019,217	57,405,933	40,956,744	48,743,798	89,700,542	27,187,180	20,420,363	47,607,544
Highly Information Industry Co., Ltd.	3,080,687	16,917	3,097,604	2,303,415	-	2,303,415	2,833,869	16,439	2,850,308	2,096,563	-	2,096,563

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VI Interests in Other Entities (Continued)

1 Interests in Subsidiaries (Continued)

(2) Subsidiaries with Significant Non-Controlling Interests

The following table presents the key financial information of the aforesaid subsidiaries:

	H1 2018				H1 2017			
	Operating revenue	Net profit	Total comprehensive income	Net cash generated from/used in operating activities	Operating revenue	Net profit	Total comprehensive income	Net cash generated from/used in operating activities
TCL Electronics Holdings Limited	17,300,343	467,958	380,444	159,427	15,184,689	138,663	224,219	(418,234)
Shenzhen China Star Optoelectronics Technology Co., Ltd.	12,192,597	1,218,006	1,226,434	3,612,642	13,987,060	2,420,574	2,726,769	5,614,327
Highly Information Industry Co., Ltd.	7,098,305	103,572	101,114	(479,311)	7,023,699	85,753	86,303	(140,658)

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VI Interests in Other Entities (Continued)

2 Interests in Joint Ventures and Associates

(1) Basic Information about Major Joint Ventures and Associates

Investee	Principal place of business/place of registration	Nature of business	Strategic to the Group's activities or not	The Company's interest	
				Direct	Indirect
Joint ventures—					
TV University Online Distance Education Technology Co., Ltd.	Beijing	Educational service	Yes	-	50.00%
CJ Speedex Logistics Co., Ltd.	Shenzhen	Logistics service	Yes	-	50.00%
Associates—					
Fantasia Holdings Group Co., Limited	The Cayman Islands	Real estate	Yes	20.08%	-
Bank of Shanghai Co., Ltd.	Shanghai	Finance	Yes	-	4.99%

Note : For the Reporting Period, the Company had a 4.99% interest in Bank of Shanghai Co., Ltd. and appointed one of its directors to be a member of the Risk Management Committee under the Board of the Bank of Shanghai. Therefore, the Company is deemed to have significant influence on the Bank of Shanghai, and this long-term equity investment is thus measured using the equity method.

(2) Key Financial Information of Major Joint Ventures

	30 June 2018		31 December 2017	
	TV University Online Distance Education Technology Co., Ltd.	CJ Speedex Logistics Co., Ltd.	TV University Online Distance Education Technology Co., Ltd.	CJ Speedex Logistics Co., Ltd.
Current assets	1,564,690	422,473	1,353,831	406,296
Non-current assets	68,846	24,470	72,837	17,707
Total assets	1,633,536	446,943	1,426,668	424,003
Current liabilities	1,293,285	300,080	1,109,984	272,522
Non-current liabilities	28,059	-	28,059	-
Total liabilities	1,321,344	300,080	1,138,043	272,522
Equity attributable to non-controlling interests	6,494	-	5,547	-
Equity attributable to shareholders of the Company as the parent	305,698	146,863	283,078	151,482
Share of equity in proportion to the Company's interest	152,849	73,432	141,539	75,741
Carrying amount of investment in joint venture	146,794	466,028	135,342	468,286

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VI Interests in Other Entities (Continued)

2 Interests in Joint Ventures and Associates (Continued)

(2) Key Financial Information of Major Joint Ventures (Continued)

	H1 2018		H1 2017	
	TV University Online Distance Education Technology Co., Ltd.	CJ Speedex Logistics Co., Ltd.	TV University Online Distance Education Technology Co., Ltd.	CJ Speedex Logistics Co., Ltd.
Operating revenue	801,916	663,566	613,395	475,273
Finance costs	(754)	(45)	(928)	(1,048)
Income tax expense	4,159	-	5,292	-
Net profit	23,568	(4,619)	29,990	(650)
Other comprehensive income	-	-	-	-
Total comprehensive income	23,568	(4,619)	29,990	(650)
Dividends received by the Group from joint venture for current period	-	-	-	-

(3) Key Financial Information of Major Associates

	30 June 2018		31 December 2017	
	Fantasia Holdings Group Co., Limited	Bank of Shanghai Co., Ltd.	Fantasia Holdings Group Co., Limited	Bank of Shanghai Co., Ltd.
Current assets	57,710,693	345,836,931	46,448,956	317,912,792
Non-current assets	23,019,748	1,572,888,107	22,507,784	1,489,854,146
Total assets	80,730,441	1,918,725,038	68,956,740	1,807,766,938
Current liabilities	33,506,392	1,548,905,856	26,895,112	1,489,271,838
Non-current liabilities	29,503,339	216,641,465	24,363,597	171,053,697
Total liabilities	63,009,731	1,765,547,321	51,258,709	1,660,325,535
Equity attributable to non-controlling interests	5,354,436	484,974	5,061,114	456,267
Equity attributable to shareholders of the Company as the parent	12,366,274	152,692,743	12,636,917	146,985,136
Share of equity in proportion to the Company's interest	2,483,148	7,617,733	2,537,493	7,332,984
Carrying amount of investment in associate	2,080,025	8,101,444	2,125,346	7,630,711

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VI Interests in Other Entities (Continued)

2 Interests in Joint Ventures and Associates (Continued)

(3) Key Financial Information of Major Associates (Continued)

	H1 2018		H1 2017	
	Fantasia Holdings Group Co., Limited	Bank of Shanghai Co., Ltd.	Fantasia Holdings Group Co., Limited	Bank of Shanghai Co., Ltd.
Operating revenue	5,270,806	19,749,818	3,822,660	15,396,008
Finance costs	(814,317)	Not applicable	(609,780)	Not applicable
Income tax expense	(452,803)	618,499	(521,390)	320,842
Net profit	179,911	9,388,824	145,346	7,806,208
Other comprehensive income	8,628	228,594	5,529	222,751
Total comprehensive income	188,539	9,617,418	150,875	8,028,959
Dividends received by the Group from associate for current period	65,972	-	-	-

(4) Financial Information of Insignificant Joint Ventures and Associates Combined Respectively

	H1 2018	H1 2017
Joint ventures:		
Aggregated carrying amount of investments	43,512	44,422
Aggregate of following items calculated in proportion to the Company's interest	-	-
Net profit (note)	124	(13,107)
Other comprehensive income (note)	-	-
Total comprehensive income	124	(13,107)
Associates:		
Aggregated carrying amount of investments	14,681,014	13,901,499
Aggregate of following items calculated in proportion to the Company's interest	-	-
Net profit (note)	582,677	1,030,673
Other comprehensive income (note)	(5,092)	12,915
Total comprehensive income	577,585	1,043,588

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

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VII Related Parties and Related-Party Transactions

1 Biggest Shareholder of the Company

The Company has no controlling shareholder.

Hubei Changjiang Hezhi Hanyi Equity Investment Fund Partnership (Limited Partnership) (hereinafter referred to as “Changjiang Hanyi”), the biggest shareholder of the Company, holds 1,059,950,300 shares (or 7.82%) in the Company. Mr. Li Dongsheng directly holds 638,273,700 shares (or 4.71%) in the Company, and indirectly holds 408,899,500 (or 3.02%) in the Company through Xinjiang Jiutian Liancheng Equity Investment Partnership (Limited Partnership) (hereinafter referred to as “Jiutian Liancheng”) and 452,660,300 shares (or 3.35%) in the Company through Xinjiang Dongxing Huarui Equity Investment Partnership (Limited Partnership) (hereinafter referred to as “Dongxing Huarui”). Therefore, Mr. Li Dongsheng is the real biggest shareholder of the Company for he controls a total of 1,499,833,500 shares (or 11.10%) in the Company.

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VII Related Parties and Related-Party Transactions (Continued)

2 Related Parties that Do Not Control or Are Not Controlled by the Company

Information about such related parties :

Related party	Relationship with the Company
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	Associate
LG Innotek Huizhou Co., Ltd.	Associate
Saipwell TCL Electronics Industrial Technology Co., Ltd.	Associate
Taiyang Electro-optic (Huizhou) Co., Ltd.	Associate
T2Mobile Limited	Associate
Guangdong Regency Optics-Electron Corp.	Associate
TCL Rechi (Huizhou) Refrigeration Equipment Co., Ltd.	Associate
Shenzhen Thunderbird Network Technology Co.	Associate
Yizheng Zeyu Electric Light Co., Ltd.	Associate
Wuhan Shangde Plastics Technology Co., Ltd.	Associate
TCL Nanyang Electric Appliance (Guangzhou) Co., Ltd.	Associate
Huizhou TCL Resource Investment Co., Ltd.	Associate
Shenzhen Jucai Supply Chain Technology Co., Ltd.	Associate
Huan Tech Co., Ltd.	Associate
Active Industries International Limited	Associate
Gaoshengda Holdings (Huizhou) Co., Ltd.	Associate
Good Vision Limited	Associate
Harvey Holdings Limited	Associate
Hubei Changjiang Hezhi Equity Investment Fund Management Co., Ltd.	Associate
Beijing WeMed Medical Equipment Co., Ltd.	Associate
Wealthy Way Group Limited	Associate
Kai Os Technologies Inc	Associate
China Merchants Real Estate (Pingshan, Shenzhen) Co., Ltd.	Associate
Opta Corporation	Associate
TCL Mingchuang (Xi'an) Co., Ltd.	Associate
Shanghai Chuangxiang Venture Capital Partnership (Limited Partnership)	Associate
Shanghai Gen Auspicious Investment Management Co., Ltd.	Associate
Xizang Dongwei Investment Management Center (Limited Partnership)	Associate
Xinjiang Dongpeng Weichuang Equity Investment Partnership (Limited Partnership)	Associate
Xinjiang Dongpeng Heli Equity Investment Partnership (Limited Partnership)	Associate
Urumqi Dongpeng Chuangdong Equity Investment Management Partnership (Limited Partnership)	Associate
Nanjing Zijin Chuangdong Investment Partnership (Limited Partnership)	Associate
Nanjing A Dynamic Equity Investment Fund Management Co., Ltd.	Associate
Shanghai Gen Auspicious Investment Management Co., Ltd.	Associate
Beijing A Dynamic Investment Consulting Co., Ltd.	Associate
Urumqi TCL Create Dynamic Equity Investment Management Co., Ltd.	Associate
Urumqi Qixinda Equity Investment Management Co., Ltd.	Associate
Shenzhen Jiutian Matrix Investment Management Co., Ltd.	Associate



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VII Related Parties and Related-Party Transactions (Continued)

2 Related Parties that Do Not Control or Are Not Controlled by the Company (Continued)

Information about such related parties :

Tianjin 712 Communication & Broadcasting Co., Ltd.	Associate
Canyon Circuit Technology (Huizhou) Co., Ltd.	Associate
Amlogic (Shanghai) Inc.	Associate
TCL Sun , Inc.	Joint venture
TCL Zhiyi Technology (Huizhou) Co., Ltd.	Joint venture
CJ Speedex Logistics Co., Ltd.	Joint venture
Huizhou TCL Taidong Shihua Investment Co., Ltd.	Joint venture
TV University Online Distance Education Technology Co., Ltd.	Joint venture
T2Mobile Limited	Joint venture
TCL Huizhou City, Kai Enterprise Management Limited	Joint venture
Huizhou Gaoshengda Technology Co., Ltd.	Associate's subsidiary
Shenzhen Thunderbird Smart Products Co., Ltd.	Associate's subsidiary
Shenzhen Thunderbird Network Media Co., Ltd.	Associate's subsidiary
Shenzhen Thunderbird Information Technology Co., Ltd.	Associate's subsidiary
Qihang Import&Export Limited	Associate's subsidiary
Huizhou Shenghua Industrial Co., Ltd.	Associate's subsidiary
Huizhou TCL Real Estate Development Co., Ltd.	Associate's subsidiary
T2 Mobile (Shanghai) Limited	Associate's subsidiary
T2Mobile International Limited	Associate's subsidiary
Amlogic Co., Limited	Associate's subsidiary
Elite Excellent Investments Limited	Associate's subsidiary
Union Dynamic Investment Limited	Associate's subsidiary
Huixing Holdings Limited	Associate's subsidiary
Marvel Paradise Limited	Associate's subsidiary
Shenzhen Yisheng Kangyun Technology Development Co., Ltd.	Associate's subsidiary
Xinjiang TCL Coal Co., Ltd.	Associate's subsidiary
Huizhou TCL Hongrong Properties Co., Ltd.	Associate's subsidiary
Gaoweida Digital Technology (Huizhou) Co., Ltd.	Associate's subsidiary
Huizhou TCL Cultural Development Co., Ltd.	Associate's subsidiary
Xionghua Investment Co., Ltd.	Associate's subsidiary
Wuhan Lesheng Times Trading Co., Ltd.	Associate's subsidiary
Jinpe Technology (HK) Co., Limited	Associate's subsidiary
Honpe Technology (Shenzhen) Co., Ltd.	Associate's subsidiary
Chengdu Legao Times Industrial Co., Ltd.	Associate's subsidiary
Xinjiang TCL Energy Co., Ltd.	Associate's subsidiary
TCT Mobile - Telefonos LTDA	Associate's subsidiary
Tairui (Hong Kong) Limited	Associate's subsidiary
Beijing National Center for Open & Distance Education Co., Ltd.	Joint venture's subsidiary
Le Shi Zhi Xin Electronics & Technology (Tianjin) Co., Ltd.	Major subsidiary's non-controlling shareholder

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VII Related Parties and Related-Party Transactions (Continued)

3 Major Related-Party Transactions

				As % of		As %	
				H1 2018	total transaction s of same kind	H1 2017	of total transactio ns of same kind
(1)	Sale of Raw Materials and Finished Goods to Related Parties	Not e1					
	Saipwell TCL Electronics Industrial Technology Co., Ltd.		578,024	1.11%	-	0.00%	
	Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.		332,546	0.64%	305,759	0.60%	
	Qihang Import&Export Limited		249,243	0.48%	280,461	0.55%	
	TCL Sun,Inc.		138,387	0.27%	125,736	0.24%	
	Shenzhen Thunderbird Smart Products Co., Ltd.		20,746	0.04%	-	0.00%	
	T2Mobile International Limited		16,503	0.03%	-	0.00%	
	TCT Mobile - Telefonos LTDA		13,575	0.03%	-	0.00%	
	TCL Zhiyi Technology (Huizhou) Co., Ltd.		8,651	0.02%	3,449	0.01%	
	Le Shi Zhi Xin Electronics & Technology (Tianjin) Co., Ltd.		5,771	0.01%	435,473	0.85%	
	Huizhou Shenghua Industrial Co., Ltd.		2,679	0.01%	-	0.00%	
	CJ Speedex Logistics Co., Ltd.		321	0.00%	38	0.00%	
	Huizhou TCL Real Estate Development Co., Ltd.		80	0.00%	-	0.00%	
	Taiyang Electro-optic (Huizhou) Co., Ltd.		78	0.00%	-	0.00%	
	Huizhou Gaoshengda Technology Co., Ltd.		17	0.00%	31,600	0.06%	
	Beijing National Center for Open & Distance Education Co., Ltd.		17	0.00%	-	0.00%	
	Shenzhen Thunderbird Information Technology Co., Ltd.		7	0.00%	-	0.00%	
	Shenzhen Thunderbird Network Media Co., Ltd.		1	0.00%	-	0.00%	
	Hubei Changjiang Hezhi Equity Investment Fund Management Co., Ltd.		-	0.00%	14	0.00%	
	T2Mobile Limited		-	0.00%	62,130	0.12%	
	LG Innotek Huizhou Co., Ltd.		-	0.00%	25,886	0.05%	
			1,366,646	2.64%	1,270,546	2.48%	

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VII Related Parties and Related-Party Transactions (Continued)

3 Major Related-Party Transactions

		As % of		As %	
		H1 2018	total transaction s of same kind	H1 2017	of total transactio ns of same kind
(2)	Procurement of Raw Materials and Finished Goods from Related Parties				
	Huizhou Gaoshengda Technology Co., Ltd.	641,079	1.50%	478,359	1.18%
	Taiyang Electro-optic (Huizhou) Co., Ltd.	110,424	0.26%	-	0.00%
	Wuhan Shangde Plastics Technology Co., Ltd.	97,136	0.23%	73,968	0.18%
	Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	81,206	0.19%	61,913	0.15%
	Guangdong Regency Optics-Electron Corp.	33,978	0.08%	11,395	0.03%
	Amlogic Co., Limited	28,033	0.07%	37,434	0.09%
	Shenzhen Thunderbird Network Media Co., Ltd.	15,076	0.04%	-	0.00%
	Qihang Import&Export Limited	7,510	0.02%	880	0.00%
	Yizheng Zeyu Electric Light Co., Ltd.	5,375	0.01%	3,612	0.01%
	Tairui (Hong Kong) Limited	4,905	0.01%	-	0.00%
	TCL Rechi (Huizhou) Refrigeration Equipment Co., Ltd.	3,156	0.01%	3,556	0.01%
	Le Shi Zhi Xin Electronics & Technology (Tianjin) Co., Ltd.	1,751	0.00%	132,843	0.33%
	Canyon Circuit Technology (Huizhou) Co., Ltd.	1,163	0.00%	-	0.00%
	Huizhou Shenghua Industrial Co., Ltd.	272	0.00%	-	0.00%
	Honpe Technology (Shenzhen) Co., Ltd.	140	0.00%	9,782	0.02%
	Huizhou TCL Taidong Shihua Investment Co., Ltd.	-	0.00%	13,866	0.03%
		<u>1,031,204</u>	<u>2.42%</u>	<u>827,608</u>	<u>2.03%</u>

Note Because Le Shi Zhi Xin Electronics & Technology (Tianjin) Co., Ltd. has significant influence on the Company's subsidiary TCL Electronics Holdings Limited, the transactions and accounts between them are disclosed as related-party transactions.

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VII Related Parties and Related-Party Transactions (Continued)

3 Major Related-Party Transactions

		H1 2018	H1 2017
(3)	Getting Funding from Related Parties		
	Not e 3		
	Shenzhen Thunderbird Network Technology Co.	439,862	-
	CJ Speedex Logistics Co., Ltd.	59,349	104,570
	Huizhou Gaoshengda Technology Co., Ltd.	48,894	86,154
	Qihang Import&Export Limited	25,228	8,710
	Shenzhen Thunderbird Network Media Co., Ltd.	17,471	-
	Huizhou TCL Resource Investment Co., Ltd.	11,272	937
	Beijing National Center for Open & Distance Education Co., Ltd.	9,306	2,517
	Shenzhen Jucai Supply Chain Technology Co., Ltd.	6,867	-
	Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	6,729	7,964
	Taiyang Electro-optic (Huizhou) Co., Ltd.	3,615	4,502
	Shenzhen Thunderbird Smart Products Co., Ltd.	2,580	-
	TV University Online Distance Education Technology Co., Ltd.	918	4,880
	Union Dynamic Investment Limited	771	-
	Marvel Paradise Limited	635	-
	Huan Tech Co., Ltd.	464	459
	Shenzhen Thunderbird Information Technology Co., Ltd.	299	-
	Xinjiang Dongpeng Weichuang Equity Investment Partnership (Limited Partnership)	79	78
	Opta Corporation	-	210
	Huizhou TCL Hongrong Properties Co., Ltd.	-	6
	Gaoweida Digital Technology (Huizhou) Co., Ltd.	-	2
		634,339	220,989
(4)	Providing Funding for Related Parties		
	Not e 3		
	Qihang Import&Export Limited	231,102	-
	Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	60,000	79,200
	Huizhou Gaoshengda Technology Co., Ltd.	32,856	9,577
	Huizhou TCL Resource Investment Co., Ltd.	31,800	31,800
	Canyon Circuit Technology (Huizhou) Co., Ltd.	10,000	-
(5)	Providing Labour Service for or Accepting Labour Service from Related Parties		
	Providing labour service for related parties	181,962	110,802
	Accepting labour service from related parties	476,708	405,674

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VII Related Parties and Related-Party Transactions (Continued)

3 Major Related-Party Transactions (Continued)

		H1 2018	H1 2017
(6)	Service Charges for Related Parties		
	Shenzhen Thunderbird Network Media Co., Ltd.	9,877	-
	Huan Tech Co., Ltd.	1,667	18,600
		Not e 4	
(7)	Receiving Interest from or Paying Interest to Related Parties		
	Interest received	12,016	7,729
	Interest paid	400	547
(8)	Leases		
	Rental income	8,905	10,448

Note 1. Sale of 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. Procurement of 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 Getting Funding from Related Parties and Corresponding Interest Received or Paid

The Company set up a settlement centre in 1997 and TCL Finance Co., Ltd. in 2006 (together, the "Financial Settlement Centre"). The Financial Settlement Centre is responsible for the financial affairs of the Company, including capital operation and allocation. The Centre settles accounts with the Company's subsidiaries, joint ventures and associates and pays the interest. It also allocates the money deposited by the subsidiaries, joint ventures and associates in it to these enterprises and charges interest. The interest income and expense between the Company and the Centre are calculated according to the interest rates declared by the People's Bank of China. Except for the accounts mentioned in Note 4 below, the funding amount provided refers to the outstanding borrowings due from the Centre to related parties, while the funding amount received means the balances of related parties' deposits in the Centre.

Note 4. Service Charges for Related Parties

Huan Tech Co., Ltd. is a service provider in China for the Internet TVs produced and sold by the Company's majority-owned subsidiary Huizhou TCL Household Appliance Marketing Co., Ltd. Therefore, Huizhou TCL Household Appliance Marketing Co., Ltd. pays proportional service charges to Huan Tech Co., Ltd. on those Internet TVs.

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4	Amounts Due from and to Related Parties	
(1)	30 June 2018	31 December 2017
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	393,293	299,867
Saipwell TCL Electronics Industrial Technology Co., Ltd.	242,773	167,674
TCL Sun, Inc.	87,045	73,999
Qihang Import&Export Limited	83,034	162,963
Shenzhen Thunderbird Smart Products Co., Ltd.	17,457	3,810
T2Mobile International Limited	8,873	15,365
T2 Mobile (Shanghai) Limited	3,830	404
TCL Zhiyi Technology (Huizhou) Co., Ltd.	3,512	6,764
Beijing National Center for Open & Distance Education Co., Ltd.	502	98
Shenzhen Thunderbird Network Media Co., Ltd.	347	70
Huizhou TCL Real Estate Development Co., Ltd.	322	241
Hubei Changjiang Hezhi Equity Investment Fund Management Co., Ltd.	70	-
Urumqi Dongpeng Chuangdong Equity Investment Management Partnership (Limited Partnership)	17	-
Xizang Dongwei Investment Management Center (Limited Partnership)	2	-
Good Vision Limited	-	5,454
LG Innotek Huizhou Co., Ltd.	-	10,705
Huan Tech Co., Ltd.	-	566
Harvey Holdings Limited	-	44
	<u>841,077</u>	<u>748,024</u>



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VII	Related Parties and Related-Party Transactions (Continued)		
		30 June 2018	31 December 2017
4	Amounts Due from and to Related Parties (Continued)		
(3)	Other Receivables from Related Parties		
	Saipwell TCL Electronics Industrial Technology Co., Ltd.	331,442	-
	Qihang Import&Export Limited	205,873	-
	Active Industries International Limited	85,674	161,795
	Kai Os Technologies Inc	43,696	43,988
	Harvey Holdings Limited	34,924	42,353
	Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	22,117	49,500
	Shenzhen Jucai Supply Chain Technology Co., Ltd.	1,280	-
	Le Shi Zhi Xin Electronics & Technology (Tianjin) Co., Ltd.	800	800
	Shenzhen Thunderbird Network Media Co., Ltd.	630	695
	Shenzhen Thunderbird Information Technology Co., Ltd.	306	762
	Nanjing Zijin Chuangdong Investment Partnership (Limited Partnership)	296	-
	Guangdong Regency Optics-Electron Corp.	137	184
	Shenzhen Thunderbird Smart Products Co., Ltd.	76	36
	Good Vision Limited	13	-
	Honpe Technology (Shenzhen) Co., Ltd.	8	-
	T2Mobile International Limited	6	-
	Tianjin 712 Communication & Broadcasting Co., Ltd.	6	6
	Huan Tech Co., Ltd.	3	3
	Shenzhen Jiutian Matrix Investment Management Co., Ltd.	1	-
	Xinjiang Dongpeng Weichuang Equity Investment Partnership (Limited Partnership)	-	40,300
	Beijing WeMed Medical Equipment Co., Ltd.	-	3,777
	T2 Mobile (Shanghai) Limited	-	3,676
	Shanghai Chuangxiang Venture Capital Partnership (Limited Partnership)	-	2,180
	Xionghua Investment Co., Ltd.	-	17
	Shenzhen Thunderbird Network Technology Co.	-	545
		<u>727,288</u>	<u>350,617</u>



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VII	Related Parties and Related-Party Transactions (Continued)		
	4	30 June 2018	31 December 2017
	(4)		
	Shenzhen Thunderbird Network Technology Co.	439,031	-
	CJ Speedex Logistics Co., Ltd.	84,450	68,590
	China Merchants Real Estate (Pingshan, Shenzhen) Co., Ltd.	40,915	109,754
	Beijing WeMed Medical Equipment Co., Ltd.	38,417	-
	Opta Corporation	32,895	32,610
	Huizhou TCL Resource Investment Co., Ltd.	6,268	6,267
	Shenzhen Yisheng Kangyun Technology Development Co., Ltd.	2,646	786
	Huizhou TCL Real Estate Development Co., Ltd.	2,454	2,385
	TCL Nanyang Electric Appliance (Guangzhou) Co., Ltd.	2,035	255
	Jinpe Technology (HK) Co., Limited	1,908	1,396
	Beijing National Center for Open & Distance Education Co., Ltd.	1,155	300
	Wealthy Way Group Limited	994	986
	Wuhan Shangde Plastics Technology Co., Ltd.	784	784
	Union Dynamic Investment Limited	771	761
	Marvel Paradise Limited	635	627
	Huizhou Gaoshengda Technology Co., Ltd.	484	17,359
	T2Mobile Limited	169	166
	TCL Mingchuang (Xi'an) Co., Ltd.	161	161
	TV University Online Distance Education Technology Co., Ltd.	139	141
	Hubei Changjiang Hezhi Equity Investment Fund Management Co., Ltd.	112	74
	Taiyang Electro-optic (Huizhou) Co., Ltd.	92	93
	T2 Mobile (Shanghai) Limited	68	-
	Xionghua Investment Co., Ltd.	43	-
	Urumqi Dongpeng Chuangdong Equity Investment Management Partnership (Limited Partnership)	35	35
	Xizang Dongwei Investment Management Center (Limited Partnership)	3	3
	Gaoweida Digital Technology (Huizhou) Co., Ltd.	2	2
	Qihang Import&Export Limited	-	6,170
	Good Vision Limited	-	5,440
	Elite Excellent Investments Limited	-	2,076
	Huixing Holdings Limited	-	676

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VII Related Parties and Related-Party Transactions  
(Continued)

4 Amounts Due from and to Related Parties  
(Continued)

(4) Other Payables to Related Parties (Continued)

	30 June 2018	31 December 2017
Honpe Technology (Shenzhen) Co., Ltd.	-	238
Nanjing A Dynamic Equity Investment Fund Management Co., Ltd.	-	5
Shanghai Gen Auspicious Investment Management Co., Ltd.	-	5
Beijing A Dynamic Investment Consulting Co., Ltd.	-	4
Urumqi TCL Create Dynamic Equity Investment Management Co., Ltd.	-	4
TCL Huizhou City, Kai Enterprise Management Limited	-	4
LG Innotek Huizhou Co., Ltd.	-	2
	656,666	258,159

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VII Related Parties and Related-Party Transactions (Continued)		
4 Amounts Due from and to Related Parties (Continued)		
(5) Notes Receivable from Related Parties	30 June 2018	31 December 2017
Le Shi Zhi Xin Electronics & Technology (Tianjin) Co., Ltd.	2,319	607
	<u>2,319</u>	<u>607</u>
(6) Notes Payable to Related Parties	30 June 2018	31 December 2017
Shenzhen Thunderbird Smart Products Co., Ltd.	3,822	-
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	2,467	14,377
CJ Speedex Logistics Co., Ltd.	2,504	-
	<u>8,793</u>	<u>14,377</u>
(7) Prepayments to Related Parties	30 June 2018	31 December 2017
CJ Speedex Logistics Co., Ltd.	40,853	1,760
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	24,482	22,693
Wuhan Lesheng Times Trading Co., Ltd.	8,052	-
Shenzhen Jucai Supply Chain Technology Co., Ltd.	492	-
Le Shi Zhi Xin Electronics & Technology (Tianjin) Co., Ltd.	272	2,128
T2 Mobile (Shanghai) Limited	-	1,784
Honpe Technology (Shenzhen) Co., Ltd.	-	1,056
	<u>74,151</u>	<u>29,421</u>
(8) Advances from Related Parties	30 June 2018	31 December 2017
Xinjiang Dongpeng Weichuang Equity Investment Partnership (Limited Partnership)	3,000	-
Saipwell TCL Electronics Industrial Technology Co., Ltd.	617	-
Beijing National Center for Open & Distance Education Co., Ltd.	55	-
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	-	131
TCL Sun, Inc.	-	69
Huizhou Gaoshengda Technology Co., Ltd.	-	7
CJ Speedex Logistics Co., Ltd.	-	1
	<u>3,672</u>	<u>208</u>

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VII Related Parties and Related-Party Transactions (Continued)			
4 Amounts Due from and to Related Parties (Continued)			
(9) Dividends Receivable from Related Parties		30 June 2018	31 December 2017
	Tianjin 712 Communication & Broadcasting Co., Ltd.	4,417	-
	Xinjiang Dongpeng Weichuang Equity Investment Partnership (Limited Partnership)	1,404	11,015
	Taiyang Electro-optic (Huizhou) Co., Ltd.	1,163	-
	Saipwell TCL Electronics Industrial Technology Co., Ltd.	89	88
		<u>7,073</u>	<u>11,103</u>
(10) Interest Receivable from Related Parties		30 June 2018	31 December 2017
	Harvey Holdings Limited	3,459	2,411
	Qihang Import&Export Limited	157	-
	Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	79	77
	Huizhou Gaoshengda Technology Co., Ltd.	24	-
		<u>3,719</u>	<u>2,488</u>
(11) Deposits from Related Parties		30 June 2018	31 December 2017
	Huizhou Gaoshengda Technology Co., Ltd.	48,409	9,402
	CJ Speedex Logistics Co., Ltd.	46,886	23,724
	Shenzhen Thunderbird Network Media Co., Ltd.	17,471	21,920
	Huizhou TCL Resource Investment Co., Ltd.	10,548	17,178
	Beijing National Center for Open & Distance Education Co., Ltd.	9,163	8,809
	Shenzhen Jucai Supply Chain Technology Co., Ltd.	6,867	5,106
	Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	6,729	23,616
	Taiyang Electro-optic (Huizhou) Co., Ltd.	3,521	2,837
	Shenzhen Thunderbird Smart Products Co., Ltd.	2,580	207
	TV University Online Distance Education Technology Co., Ltd.	779	3,167
	Huan Tech Co., Ltd.	464	462
	Shenzhen Thunderbird Information Technology Co., Ltd.	299	450
	Shenzhen Thunderbird Network Technology Co.	148	776
	Xinjiang Dongpeng Weichuang Equity Investment Partnership (Limited Partnership)	79	-
		<u>153,943</u>	<u>117,654</u>

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

Except that the deposits of the Company's subordinates in the Financial Settlement Centre and the Centre's borrowings to the subordinates are interest-bearing, all the other amounts due from and to related parties bear no interest, collateral or fixed payment dates.

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VIII Commitments

1 Lease Commitments

The following table presents the minimum lease payables after the balance sheet date according to the irrevocable operating lease contracts signed by the Company:

	30 June 2018	31 December 2017
Year 1	77,254	61,451
Year 2	62,652	52,297
Year 3	46,659	43,809
Thereafter	89,203	52,515
	<u>275,768</u>	<u>210,072</u>

2 Capital Commitments

		30 June 2018	31 December 2017
Under contractual obligations but not provided for	Note 1	6,961,897	8,322,088
Approved by Board but not under contractual obligations	Note 2	11,207	-
		<u>6,973,104</u>	<u>8,322,088</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 June 2018, except for the disclosures above, there were no other major commitments that are required to be disclosed.

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IX Contingencies

1 Guarantees Provided for External Parties

- (1) The guarantee amount for associates' bank loans, commercial drafts, letters of credit, etc. is RMB587,060,000.

As at 30 June 2018, the Company estimated that it was not likely for the aforesaid guarantees to cause a material loss, so it did not record a provision in the financial statements for it. Except for the said contingencies, there were no other major contingencies that are required to be disclosed as at 30 June 2018.

X Events after Balance Sheet Date

- 1 As per the China Securities Regulatory Commission's Reply ZJXK [2017] No. 276 on the Approval of TCL Corporation's Public Offering of Corporate Bonds to Qualified Investors and TCL Corporation's Announcement on the Public Offering of 2018 Corporate Bonds to Qualified Investors (Phase 2), the Company publicly issued on 16 August 2018 RMB2 billion of corporate bonds to qualified investors, with a maturity of five years and a coupon rate of 5.30%.

Except for the aforesaid event, there were no other significant post-balance-sheet-date events that are required to be disclosed as at the date of the authorization of the financial statements for issue.

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XI Other Significant Events

- 1 In order to further improve its incentive and governance system and attach equal importance to incentive and constraint, the Company released on 3 March 2018 the Top 400 and Key Personnel Stock Ownership Plan and the Global Partner Plan of TCL Corporation (Draft) (hereinafter referred to as the “Partner Plan”), as well as the 2018 Restricted Stock Incentive Plan and the Global Innovation Partner Plan of TCL Corporation (Draft), for key medium- and high-level employees, as well as for medium- and low-level employees, respectively. For the first Partner Plan, the specialized incentive fund for 2018 is expected to not exceed RMB280 million. With the subscription of a total of 34,676,444 restricted incentive shares in the Reporting Period, the Company’s total share capital has increased from 13,514,972,063 shares to 13,549,648,507 shares.
- 2 According to the 2017 Final Dividend Plan approved at the general meeting on 18 May 2018, based on the Company’s total share capital of 13,514,972,063 shares as at 27 April 2018 and the 34,676,444 granted restricted incentive shares (together, 13,549,648,507 shares), a cash dividend of RMB1.00 (tax inclusive) per 10 shares was paid in the Reporting Period to all the shareholders, totaling RMB1,354,964,850.7.
- 3 As per the China Securities Regulatory Commission’s Reply ZJXK [2017] No. 276 on the Approval of TCL Corporation’s Public Offering of Corporate Bonds to Qualified Investors and TCL Corporation’s Announcement on the Public Offering of 2018 Corporate Bonds to Qualified Investors (Phase 1), the Company publicly issued on 5 June 2018 RMB1 billion of corporate bonds to qualified investors, with a maturity of five years and a coupon rate of 5.48%.

Except for the aforesaid events, there were no other other significant events that are required to be disclosed as at 30 June 2018.

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XII Notes to Financial Statements of the Company as Parent

1 Accounts Receivable

	30 June 2018				31 December 2017			
	Amount	Percentage	Allowance for doubtful accounts	Allowance ratio	Amount	Percentage	Allowance for doubtful accounts	Allowance ratio
Within 1 year	347,661	100.00%	-	0.00%	340,349	100.00%	-	0.00%

As at 30 June 2018, there were no such accounts receivable from any shareholder with a 5% or greater voting stock.

2 Other Receivables

	30 June 2018				31 December 2017			
	Amount	Percentage	Allowance for doubtful accounts	Allowance ratio	Amount	Percentage	Allowance for doubtful accounts	Allowance ratio
Within 1 year	10,516,349	86.86%	-	0.00%	8,840,984	86.97%	-	0.00%
1-2 years	1,190,781	9.83%	-	0.00%	1,006,354	9.90%	-	0.00%
2-3 years	141,392	1.17%	-	0.00%	110,185	1.08%	-	0.00%
Over 3 years	259,489	2.14%	87,874	33.86%	209,295	2.05%	88,560	42.31%
	<u>12,108,011</u>	<u>100.00%</u>	<u>87,874</u>	<u>0.73%</u>	<u>10,166,818</u>	<u>100.00%</u>	<u>88,560</u>	<u>0.87%</u>

The outstanding other receivables were mostly current accounts with related parties. As at 30 June 2018, there were no such other receivables from any shareholder with a 5% or greater voting stock.

The top five other receivables amounted to approximately RMB7,358,243,000 (31 December 2017: RMB7,362,890), accounting for 60.77% of the total other receivables (31 December 2017: 72.42%).



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

3 Available-for-Sale Financial Assets

	30 June 2018	31 December 2017
Available-for-sale equity instruments——at fair value (1)	53,962	79,824
Available-for-sale equity instruments——at cost (2)	1,144,694	1,144,694
	1,198,656	1,224,518

(1) Available-for-Sale Equity Instruments——at Fair Value

	Cost	Change in fair value	Ending balance
Refond Optoelectronics (SZ.300241)	40,000	13,962	53,962

(2) Available-for-Sale Equity Instruments——at Cost

	The Company's interest	30 June 2018	31 December 2017
Investee			
Huizhou TCL Magnet Products Co., Ltd.	5.00%	76	76
National Source Coding Center (Beijing)	7.52%	5,000	5,000
Shanlian Information Technology Engineering Center Co., Ltd.	19.23%	10,000	10,000
Samsung Suzhou LCD Co., Ltd.	10.00%	625,949	625,949
Boluo County Rural Commercial Bank	6.05%	203,669	203,669
Beijing Shangyun Chuangzhan Investment Center (Limited Partnership)	10.00%	50,000	50,000
Kunshan Wantong Kaiyuan Equity Investment Center (Limited Partnership)	5.00%	50,000	50,000
Guokai Siyuan (Beijing) Investment Fund Co., Ltd.	3.95%	200,000	200,000
		1,144,694	1,144,694

4 Long-Term Equity Investments

	30 June 2018			31 December 2017		
	Gross amount	Impairment allowance	Carrying amount	Gross amount	Impairment allowance	Carrying amount
Long-term equity investments at equity method	9,366,925	-	9,366,925	8,889,011	-	8,889,011
Of which: Associates (1)	9,345,041	-	9,345,041	8,866,421	-	8,866,421
Joint ventures (1)	21,884	-	21,884	22,590	-	22,590
Subsidiaries (2)	28,564,323	-	28,564,323	26,094,554	-	26,094,554
	37,931,248	-	37,931,248	34,983,565	-	34,983,565

As at 30 June 2018, there were no significant restrictions on sale of the long-term equity investments or collection of the investment income.

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

4 Long-Term Equity Investments (Continued)

(1) Joint Ventures and Associates

	Beginning amount	Change in investment in current period	Changes in current period						30 June 2018
			Investment income/(loss) at equity method	Adjustment in other comprehensive income	Other changes in equity	Cash dividends or profits declared	Impairment allowance	Other changes	
LG Innotek Huizhou Co., Ltd.	81,554	-	3,402	-	-	(10,135)	-	2,037	76,858
Huan Tech Co., Ltd.	158,042	-	561	-	-	-	-	-	158,603
TCL Nanyang Electric Appliance (Guangzhou) Co., Ltd.	2,291	-	(100)	-	-	-	-	-	2,191
Tianjin 712 Communication & Broadcasting Co., Ltd.	637,000	-	6,936	-	-	-	-	25,751	669,687
Gaoshengda Holdings (Huizhou) Co., Ltd.	49,733	-	7,713	-	-	-	-	-	57,446
Huizhou Shangdian Law Firm Waterway Construction Investment Co., Ltd.	48,081	-	(223)	-	-	-	-	(47,858)	-
Huizhou TCL Resource Investment Co., Ltd.	65,532	-	(9,716)	-	-	-	-	-	55,816
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	53,012	-	4,393	-	-	-	-	-	57,405
Bank of Shanghai Co., Ltd.	7,630,711	-	467,562	3,171	-	-	-	-	8,101,444

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

4 Long-Term Equity Investments (Continued)

(1) Joint Ventures and Associates

	Beginning amount	Changes in current period							30 June 2018
		Change in investment in current period	Investment income/(loss) at equity method	Adjustment in other comprehensive income	Other changes in equity	Cash dividends or profits declared	Impairment allowance	Other changes	
Hubei Consumer Finance Company	120,343	-	5,836	-	-	-	-	-	126,179
Taiyang Electro-optic (Huizhou) Co., Ltd.	12,921	-	1,229	-	-	(1,163)	-	-	12,987
Shenzhen Changcheng Commercial Technology Property Service Co., Ltd.	1,200	-	1,595	-	-	-	-	-	2,795
Shenzhen Jucai Supply Chain Technology Co., Ltd.	6,000	-	(541)	-	-	-	-	-	5,459
Huizhou TCL Taidong Shihua Investment Co., Ltd.	22,590	-	(706)	-	-	-	-	-	21,884
Canyon Circuit Technology (Huizhou) Co., Ltd.	-	16,103	2,068	-	-	-	-	-	18,171
	<u>8,889,010</u>	<u>16,103</u>	<u>490,009</u>	<u>3,171</u>	<u>-</u>	<u>(11,298)</u>	<u>-</u>	<u>20,070</u>	<u>9,366,925</u>

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

4 Long-Term Equity Investments (Continued)

(2) Subsidiaries

	Voting right percenta ge	1 January 2018	Increase in current period	Decrease in current period	30 June 2018
TCL Industries Holdings (HK) Limited	100.00%	1,344,042	-	-	1,344,042
Shenzhen China Star Optoelectronics Technology Co., Ltd.	86.81%	18,727,299	270,005	-	18,997,304
Huizhou TCL Household Electric Appliance Group Co., Ltd.	100.00%	448,000	54	-	448,054
TCL Commercial Information Technolog (Huizhou) Co., Ltd.	80.00%	65,000	-	-	65,000
Huizhou Cool Friends Network Technology Co., Ltd.	55.00%	273,144	-	-	273,144
Koyoo Online Service Co., Ltd.	100.00%	25,469	-	-	25,469
Techne Corporation	55.00%	37,954	-	-	37,954
Xinjiang TCL Equity Investment Co., Ltd.	100.00%	200,000	-	-	200,000
Huizhou TCL Environmental Resource Co., Ltd.	100.00%	300,000	-	(26,987)	273,013
Highly Information Industry Co., Ltd.	73.69%	107,296	-	-	107,296
Shenzhen TCL Industrial Technology Research Institute, Ltd.	0.00%	17,500	-	(17,500)	-
TCL Communication Equipment (Huizhou) Co., Ltd.	75.00%	79,500	-	-	79,500
TCL Finance Co., Ltd.	82.00%	1,256,003	47	-	1,256,050
Shenzhen TCL High-Tech Development Co., Ltd.	100.00%	20,000	16	-	20,016
Huizhou TCL Hongchuang Technology Co., Ltd.	100.00%	5,000	-	-	5,000
Huizhou TCL International Hotels Limited	100.00%	49,993	-	-	49,993
Guangzhou TCL Science and Technology Development Co., Ltd.	100.00%	230,000	-	-	230,000
Xi'an TCL Industrial Technology Research Institute Co., Ltd.	100.00%	150,000	15	-	150,015
TCL Home Appliances (Hefei) Co., Ltd.	100.00%	300,000	379	-	300,379
Huizhou TCL Light Electrical Appliances Co., Ltd.	100.00%	40,037	30,000	-	70,037
Huarui (Huizhou) Co., Ltd.	67.10%	51,000	16,105	-	67,105
Shenzhen TCL Real Estate Co., Ltd.	0.00%	212,958	-	(212,958)	-
Huizhou Taichuang Investment Development Co., Ltd.	0.00%	50,000	-	(50,000)	-
Guangzhou Xitian Technology Information Co., Ltd.	50.00%	15,000	-	-	15,000
Guangzhou Yunsheng Tianji Technology Co., Ltd.	50.00%	150,000	-	-	150,000
TCL Culture Media (Shenzhen) Co., Ltd.	100.00%	263,414	90,000	-	353,414
TCL Finance Holdings Group (Guangzhou) Co., Ltd.	100.00%	285,000	400,023	-	685,023
Guangzhou TCL Internet Microcredit Co	100.00%	200,000	300,008	-	500,008

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Ltd.					
Shenzhen HAWK Internet Co., Ltd.	100.00%	350,000	-	-	350,000
HAWK Digital Entertainment Technolog (Shenzhen) Co., Ltd.	100.00%	50,000	-	-	50,000
TCL Intelligent Industry (Huizhou) Co., Ltd.	100.00%	59,000	-	-	59,000
Huizhou Zhongkai TCL Zhirong Technology Microcredit Co., Ltd.	80.00%	135,624	270,020	-	405,644

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4 Long-Term Equity Investments  
(Continued)

(2) Subsidiaries

	Voting right percenta ge	1 January 2018	Increase in current period	Decrease in current period	30 June 2018
Shenzhen HAWK Cloud Information Technology Co., Ltd.	100.00%	20,000	-	-	20,000
TCL Technology Park (Huizhou) Co., Ltd.	100.00%	285,324	180,000	-	465,324
TCL Technology Park Co., Ltd.	100.00%	150,000	1,212,958	-	1,362,958
Huizhou Sailuote Communication Co., Ltd.	67.00%	82,500	-	-	82,500
TCL Medical Radiological Technology (Beijing) Co., Ltd.	100.00%	58,497	-	-	58,497
Equity incentives of subsidiaries		-	7,584	-	7,584
		<u>26,094,554</u>	<u>2,777,214</u>	<u>(307,445)</u>	<u>28,564,323</u>

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

*TCL Corporation*  
*Notes to Financial Statements*  
*(For the period from 1 January 2018 to 30 June 2018)*  
*(The amounts in tables are expressed in thousands of RMB)*

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

5 Operating Revenue and Cost of Sales

	H1 2018		H1 2017	
	Operating revenue	Cost of sales	Operating revenue	Cost of sales
Core business	608,360	602,601	431,801	425,298
Non-core business	419,737	329,814	189,546	89,162
	1,028,097	932,415	621,347	514,460

6 Investment Income

	H1 2018	H1 2017
Investment income from disposal of wealth management instruments	233,615	147,846
Dividends from subsidiaries	1,944,633	208,787
Share of profit of associates for current period	490,715	290,877
Share of profit of joint ventures for current period	(706)	(1,196)
Investment income from holding available-for-sale financial assets	8,761	9,240
Net income from disposal of long-term investments	(50,546)	3,000
	2,626,472	658,554

As at 30 June 2018, there were no significant restrictions on the collection of the investment income.

7 Contingent Liabilities

The following table presents the contingent liabilities with no provisions in the financial statements as at 30 June 2018:

	30 June 2018	31 December 2017
Guarantees for commercial drafts and letters of guarantee of subsidiaries	28,147,300	13,870,451
Guarantees for bank loans of subsidiaries	17,279,120	11,580,724
Guarantees for bank loans and commercial drafts of joint ventures and associates	587,060	667,610

As at 30 June 2018, the Company estimated that the guarantees above were not likely to cause a material loss.

XIII Comparative Data

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



*TCL Corporation*  
*Attached: Supplementary Information to Financial Statements*  
*(For the period from 1 January 2018 to 30 June 2018)*  
*(The amounts in tables are expressed in thousands of RMB)*

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

Item	Net profit for Reporting Period	Weighted average ROE	EPS (RMB yuan)	
			Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders of the Company	1,585,939	5.22%	0.1173	0.1172
Net profit attributable to ordinary shareholders of the Company before non-recurring gains and losses	993,438	3.27%	0.0734	0.0734

ROE and EPS are calculated according to 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 the China Securities Regulatory Commission.

EPS is calculated based on the weighted average outstanding ordinary shares of the Company.

Of which: non-recurring gains and losses

	H1 2018	H1 2017
Gain or loss on disposal of non-current assets (inclusive of impairment allowance write-offs)	17,143	19,855
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 government's uniform standards)	525,525	526,340
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	-	82,582
Gain or loss on fair-value changes in trading financial assets and liabilities & investment income from disposal of trading financial assets and liabilities and available-for-sale financial assets (exclusive of effective portion of hedges that arise in the Company's ordinary course of business)	(6,131)	(50,041)
Non-operating income and expense other than above	303,187	(18,512)
Income tax effects	(158,562)	(59,945)
Non-controlling interests effects	(88,661)	(85,650)
Non-recurring gains and losses attributable to ordinary shareholders of the Company as parent	592,501	414,629

Non-recurring gains and losses are recognized according to the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Non-Recurring Gains and Losses (2008) (CSRC Document [2008] No. 43).

*TCL Corporation*  
*Attached: Supplementary Information to Financial Statements*  
*(For the period from 1 January 2018 to 30 June 2018)*  
*(The amounts in tables are expressed in thousands of RMB)*

II Schedules of Asset Impairment Allowances

1 Consolidated Schedules of Asset Impairment Allowances

Item	1 January 2018	Increases in current period		Decreases in current period				Total	30 June 2018
		Establishe d in current period	Newly consolidat ed subsidiarie s	Reversed in current period	Written off in current period	Newly deconsoli dated subsidiari es	Exchange adjustme nts		
1. Allowances for doubtful accounts	821,385	140,505	-	(30,554)	(16,242)	(10,840)	(3,358)	(60,994)	900,896
Including: Accounts receivable	384,267	124,916	-	(29,439)	(14,527)	(10,268)	(2,947)	(57,181)	452,002
Other receivables	437,118	15,589	-	(1,115)	(1,715)	(572)	(411)	(3,813)	448,894
2. Inventory valuation allowances	706,825	566,973	-	(97,543)	(346,271)	(36,674)	316	(480,172)	793,626
3. Impairment allowances for available-for-sale financial assets	148,117	4,299	-	-	(27,742)	(28,288)	(870)	(56,900)	95,516
4. Impairment allowances for Long-term equity investments	139,582	-	-	-	-	-	-	-	139,582
5. Impairment allowances for fixed assets	612,761	47,065	-	-	(16)	(336,152)	(37,191)	(373,359)	286,467
6. Impairment allowances for intangible assets	45,664	-	-	-	-	-	(8,912)	(8,912)	36,752
7. Impairment allowances for goodwill	257,344	-	-	-	-	-	-	-	257,344
8. Allowances for doubtful accounts in rediscounting business of TCL Finance Co., Ltd.	10,342	3,773	-	-	-	-	-	-	14,115
	2,742,020	762,615	-	(128,097)	(390,271)	(411,954)	(50,015)	(980,337)	2,524,298

*TCL Corporation*  
*Attached: Supplementary Information to Financial Statements*  
*(For the period from 1 January 2018 to 30 June 2018)*  
*(The amounts in tables are expressed in thousands of RMB)*

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2 Schedules of Asset Impairment Allowances of the Company as Parent

Item	1 January 2018	Increases in current period	Decreases in current period			30 June 2018
			Reversed in current period	Written off in current period	Total	
Allowances for doubtful accounts	88,560	920	-	(1,606)	(1,606)	87,874
Including: Other receivables	88,560	920	-	(1,606)	(1,606)	87,874

*TCL Corporation*  
*Attached: Supplementary Information to Financial Statements*  
*(For the period from 1 January 2018 to 30 June 2018)*  
*(The amounts in tables are expressed in thousands of RMB)*

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III Analysis of Changes in Financial Statement Data

1 Analysis of Changes in Data of Consolidated Financial Statements

Compared with the carrying amount as at 31 December 2017, the Group's monetary capital as at 30 June 2018 declined by RMB9,846,889,000 (or approximately -36%), primarily driven by higher cash payments for investments.

Compared with the carrying amount as at 31 December 2017, the Group's other current assets as at 30 June 2018 rose by RMB8,057,866,000 (or approximately 69%), primarily driven by new wealth management instruments.

Compared with the carrying amount as at 31 December 2017, the Group's loans and advances to customers as at 30 June 2018 rose by RMB293,645,000 (or approximately 53%), primarily driven by a rise in the loans and advances to customers.

Compared with the carrying amount as at 31 December 2017, the Group's investment property as at 30 June 2018 rose by RMB693,680,000 (or approximately 81%), primarily driven by new investment property.

Compared with the carrying amount as at 31 December 2017, the Group's construction in progress as at 30 June 2018 rose by RMB8,150,845,000 (or approximately 55%), primarily driven by a rise in the investments in the t3 LCD panel and G11 production lines.

Compared with the carrying amount as at 31 December 2017, the Group's other non-current assets as at 30 June 2018 rose by RMB4,713,923,000 (or approximately 139%), primarily driven by a rise in the prepayments for equipment.

Compared with the carrying amount as at 31 December 2017, the Group's taxes payable as at 30 June 2018 declined by RMB392,042,000 (or approximately -31%), primarily driven by a decline in the corporate income taxes.

*TCL Corporation*  
*Attached: Supplementary Information to Financial Statements*  
*(For the period from 1 January 2018 to 30 June 2018)*  
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III Analysis of Changes in Financial Statement Data

1 Analysis of Changes in Data of Consolidated Financial Statements

Compared with the carrying amount as at 31 December 2017, the Group's short-term commercial papers payable as at 30 June 2018 rose by RMB2,000,000,000 (or 100%), primarily driven by new short-term commercial papers.

Compared with the carrying amount as at 31 December 2017, the Group's other current liabilities as at 30 June 2018 declined by RMB2,563,071,000 (or approximately -42%), primarily driven by a decline in the financial assets sold under repurchase agreements.

Compared with the carrying amount as at 31 December 2017, the Group's long-term borrowings as at 30 June 2018 rose by RMB8,483,119,000 (or approximately 42%), primarily driven by new borrowings.

Compared with the carrying amount for H1 2017, the Group's other comprehensive income for H1 2018 declined by RMB445,324,000 (or approximately -203%), primarily driven by a decline in the differences arising from the translation of foreign currency-denominated financial statements.

Compared with the carrying amount for H1 2017, the Group's finance costs for H1 2018 declined by RMB369,921,000 (or approximately -46%), primarily driven by a decline in the exchange loss.

Compared with the carrying amount for H1 2017, the Group's asset impairment loss for H1 2018 rose by RMB452,575,000 (or approximately 249%), primarily driven by the impairment loss on inventories and fixed assets.

Compared with the carrying amount for H1 2017, the Group's gain on changes in fair value for H1 2018 declined by RMB234,923,000 (or approximately -179%), primarily driven by a decline in the gains on derivative financial instruments.

Compared with the carrying amount for H1 2017, the Group's investment income for H1 2018 rose by RMB294,713,000 (or approximately 37%), primarily driven by a rise in the investment income from joint ventures and associates.

Compared with the carrying amount for H1 2017, the Group's other income for H1 2018 rose by RMB430,555,000 (or approximately 69%), primarily driven by a rise in the R&D subsidies.

*TCL Corporation*  
*Attached: Supplementary Information to Financial Statements*  
*(For the period from 1 January 2018 to 30 June 2018)*  
*(The amounts in tables are expressed in thousands of RMB)*

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III Analysis of Changes in Financial Statement Data (Continued)

2 Analysis of Changes in Data of Financial Statements of the Company as Parent

Compared with the carrying amount as at 31 December 2017, the monetary capital of the Company as the parent as at 30 June 2018 rose by RMB2,801,540,000 (or approximately 251%), primarily driven by a rise in the deposits from subsidiaries.

Compared with the carrying amount as at 31 December 2017, the other current assets of the Company as the parent as at 30 June 2018 rose by RMB5,317,780,000 (or approximately 168%), primarily driven by a rise in the wealth management instruments.

Compared with the carrying amount as at 31 December 2017, the accounts payable of the Company as the parent as at 30 June 2018 rose by RMB268,316,000 (or approximately 201%), primarily driven by a rise in the accounts payable to subsidiaries.

Compared with the carrying amount as at 31 December 2017, the other payables of the Company as the parent as at 30 June 2018 rose by RMB10,596,522,000 (or approximately 180%), primarily driven by a rise in the other payables to subsidiaries.

Compared with the carrying amount as at 31 December 2017, the short-term commercial papers payable of the Company as the parent as at 30 June 2018 rose by RMB2,000,000,000 (or 100%), primarily driven by new short-term commercial papers.

Compared with the carrying amount as at 31 December 2017, the current portion of non-current liabilities of the Company as the parent as at 30 June 2018 rose by RMB1,808,431,000 (or approximately 75%), primarily driven by a rise in the current portion of corporate bonds.

TCL Corporation  
28 August 2018

The financial statements and the notes thereto from page 1 to page 157, as well as the supplementary information from page AI-1 to page AI-6, are signed by the following personnel:

	Head for financial	Head of the financial
Legal	affairs:	department:
representative: _____	_____	_____