

# TCL CORPORATION

# TCL 集团股份有限公司



创意感动生活  
The Creative Life

# ANNUAL REPORT 2018

19 March 2019

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## Chairman's Statement

Dear shareholders, partners and employees,

In 2018, the greater downward pressure on the global and China's economy, as well as the slowing-down or even negative market growth posed a tough challenge to the Group's business operations. In face of such a complicated and harsh operating environment, TCL followed the set strategic reform and transformation direction, continued to refine its business structure, and made great efforts to promote development in all its businesses. As a result, its operating performance continued to improve. For 2018, the Group recorded operating revenue of RMB113.36 billion, flat with last year; and a net profit of RMB4.07 billion, of which the net profit attributable to TCL shareholders amounted to RMB3.47 billion, up by 30.2% over the figure of 2017 (2017-over-2016 growth: 66.3%). Therefore, all the operating objectives set for 2018 have been accomplished. The operating performance of the past two years has enhanced our determination to move on with the reform and transformation.

**The Group promoted a strategic concentration, increased operational efficiency and continued to strengthen competitiveness.** In 2018, following the reform and transformation strategy, we further concentrated on our core business, clarified development strategies for all the major businesses, optimized the organizational structure and flow, increased operational efficiency and enhanced technological innovation. In the year, the Group divested another 39 non-core subsidiaries. Its business structure has been adjusted to comprise four business groups, i.e. the semi-conductor display and material business, the intelligent terminal business, the industrial finance & investment and venture capital business, as well as the emerging business group, with the first two being the core. Thanks to better efficiency and competitiveness as a result of reform and restructuring, the Group's overall operating performance continued to improve.

Affected by the cyclical downturn of the global industry, the semi-conductor display business has witnessed, starting from the second quarter of the year, a considerable drop in product prices, a year-on-year decline in sales revenue and a significantly narrowed gross profit margin. CSOT maintained full production and sales through various reform and transformation initiatives. The LTPS plant in Wuhan (the t3 project) reached full capacity in the fourth quarter, and the G11 LCD

plant in Shenzhen (the t6 project) started production in late 2018. The sales volumes of all the products registered ongoing growth in the year. Amid a weak industry, CSOT was able to maintain good profitability by means of promoting cost efficiency, strengthening coordination and improving technological capability. CSOT not only represented the biggest profit contributor to the Group, but also posted operating results much better than its peers in the year.

The intelligent terminal business group improved in 2018, turning from a huge deficit in 2017 (primarily caused by the mobile communication terminal business) to a profit of nearly RMB0.3 billion in 2018. To be specific, the color TV business showed a strong growth with a full-year sales volume (ODM inclusive) of 28.96 million units, ranking second around the world; the home appliance and smart speaker business registered steady development; and the mobile communication terminal business recorded a much smaller deficit.

But this is still a low-profit-margin business, with fast product and technology transitions. Except for a competitive scale for the smart TV business, all the other businesses are of a small scale with insufficient profitability and driving force. What's more, the intelligent terminal business and the semi-conductor display business vary greatly in organizational flow and management logic. Therefore, in order to concentrate resources for a bigger and stronger semi-conductor display business, the Group has decided to divest the intelligent terminal business. The newly incorporated TCL Holdings will acquire this business, together with its assets, liabilities and employees. We believe that this restructuring will also enable the intelligent terminal business to concentrate on its core operations, optimize its organizational structure and business flow, as well as increase its efficiency, economic benefits and competitiveness.

Having been approved at a general meeting, this major asset restructuring is expected to be completed soon, including the delivery of assets. After the restructuring, the Group will rely on the semi-conductor display and material business as its core, and sustain the industrial finance & investment and venture capital business in addition to other businesses.

**The Group's major operating indicators improved significantly through the strategic restructuring.** According to the 2018 figures for reference, after the restructuring, the Group's net profit margin will rise from 3.59% to 7.35%; debt/asset ratio will drop from 68.4% to 64.1% with a cash amount of RMB4.76 billion received; and number of employees will decrease from 90,000 to

30,000. Furthermore, the organizational and capital structure, as well as the financial position have been further improved. Despite a considerable drop in consolidated sales revenue caused by the restructuring, it is believed that the Group's sales revenue, operating profit and cash flow will continue to increase in the coming years as CSOT implements a production ramp-up and the other businesses expand. In addition, this restructuring has boosted the Group's financings, which means that equity financing is no longer needed for the subsequent construction and expansion of CSOT's t4 and t6 projects, as well as the construction of its t7 project.

This major asset restructuring is a big change to the Group's operating philosophy and organizational flow. The Group has shifted from diversified operations to dedicated operations, which are considered a more efficient and competitive model with a high return for shareholders in view of the history of business models around the world.

Looking forward into 2019, there are still many challenges and uncertainties ahead for the global and China's economy, but the fittest will survive amid the fiercer competition in the industry. What comes together with challenges is opportunities. The Chinese government continues to provide great support for the real economy with multiple such initiatives launched this year, which will help greatly boost the profit of the domestic manufacturing sector. Meanwhile, the reshuffle of the global economic landscape will also create new opportunities for Chinese enterprises with competitive global operations. China has become the center of the global semi-conductor display industry, with the largest scale, as well as fast growing technological capability and related industries. Despite a recently slight oversupply on the market, the core application expansion of new technologies will boost global demand and gradually change the supply-demand condition, which means a larger space for business development. We have absolute faith in the semi-conductor industry, a key basic high-tech industry with great potentials that calls for outstanding strength in technology, capital and management. We are confident that we will be able to achieve ongoing growth amid the competition in the global industry.

**After this restructuring, the Group will become a high-tech conglomerate with a greater ability of sustainable development.** CSOT will deepen its reform and transformation through optimizing the organizational flow, increasing operational efficiency, enhancing technological capability and fully strengthening competitiveness. Additionally, it will make efforts to develop new

display technologies and materials, promote upstream and downstream business expansion, as well as carry out M&As when opportunities arise for better competitiveness. We are at the forefront of the global new semi-conductor display industry. Guangdong Juhua, a TCL subsidiary, has been given the green light to establish the “National Printed and Flexible Display Innovation Center”. In the field of new display materials, China Ray has undertaken the national “Printed OLED Key Material Commercialization Demonstration Programme”, with the materials developed being of a world-leading performance. Meanwhile, the research achievements in relation to QLED materials have been published on *Nature Communications*, a top international science magazine, with the number of QLED patents ranking No. 2 around the world. By the end of 2018, the Group has accumulatively applied for 9,990 patents through PCT, one of the highest numbers among Chinese companies. We are determined to establish leading competitive edges in the global semi-conductor display and material industry.

**CSOT** is believed to register a considerable rise in sales revenue and a double-digit growth in profit for 2019, driven by its great operating efficiency, global presence, synergy with other businesses and the production ramp-up of the t6 project.

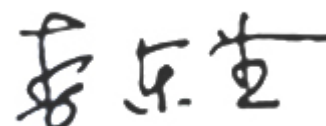
**The industrial finance & investment and venture capital business** will concentrate on providing asset management and financial services for the development of the core business, as well as on generating steady and increasing profit. It will also actively expand the supply chain finance business for higher capital gains. The venture capital business will explore opportunities for business and technological synergy, as well as entering into new businesses. The investment business will generate stable earnings for the Group. The profit contributions from this business group can help offset the impact of cyclical performance swings on the semi-conductor display sector.

As for **the emerging business group**, the Group will further refine the business structure by continuing to divest non-core businesses according to the principle of maximum value for shareholders. The Group will also enter into other key basic high-tech industries when the timing is ripe by means of M&A, etc., so as to foster new driving force.

In addition to corporate development, we also pay attention to the protection of shareholder interests, enhancing shareholder value through various effective measures. The Group will maintain

a proactive and sound business model, and keep operating risks under control while developing, so as to maintain ongoing, steady growth. We stick to a policy of stable and increasing dividend to deliver return to our shareholders, attract value investors, and achieve common long-term development with our shareholders.

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



Li Dongsheng

19 March 2019

## 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”) 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.**

**The Board has approved a final dividend plan for the ordinary shareholders as follows: based on the share capital of 13,402,888,507 shares on 19 March 2019 that are eligible for profit distribution (the total share capital of 13,549,648,507 shares minus the 146,760,000 shares in the Company’s special securities account for repurchase that are not eligible for profit distribution), a cash dividend of RMB1 (tax inclusive) per 10 shares is to be distributed to the shareholders, totaling RMB1,340,288,851. The retained earnings of RMB7,628,922,531 will carry forward for future distribution. Meanwhile, there will be no bonus issue from either profit or capital reserves for the year under review.**

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

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



## Definitions

Term	Definition
The “Company”, the “Group”, “TCL”, “TCL 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 31 December 2018
TCL Holdings, TCL Industries Holdings	TCL Industries Holdings (Guangdong) Inc.
The “Major Asset Restructuring” or “Restructuring”	The major asset restructuring approved at the 13 <sup>th</sup> meeting of the 6 <sup>th</sup> Board of Directors on 7 December and the First Extraordinary General Meeting of 2019 on 7 January 2019
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, a listed company on the Stock Exchange of Hong Kong (stock code: 01777.HK), with the Company holding a 20.08% interest as its second largest shareholder
Admiralty Harbour Capital	Admiralty Harbour Capital Limited
Environmental Resource	Huizhou TCL Environmental Resource Co., Ltd.

Thunderbird Technology	Shenzhen Thunderbird Network Technology Co.
TCL Culture Media	TCL Culture Media (Shenzhen) Co., Ltd.
Educational Web	TCL Educational Web Ltd.
Open Edutainment	Beijing National Center for Open & Distance Education Co., Ltd.
Tsinghua Unigroup	Tsinghua Unigroup Co., Ltd.
TCL Industries	TCL Industries Holdings (HK) Limited
TCL Household Electric Appliance	Huizhou TCL Household Electric Appliance Group Co., Ltd.
Hefei Home Appliances	TCL Home Appliances (HeFei) Co., Ltd.
Cool Friends Technology	Huizhou Cool Friends Network Technology Co., Ltd.
Koyoo Online Service	Koyoo Online Service Co., Ltd.
TCL Technology Park	TCL Technology Park Co., Ltd.
JDH	JDH Information Tech (Zhuhai) Co., Ltd.
Getech	Getech Ltd.
t1 project	The generation 8.5 (or G8.5) TFT-LCD production line of CSOT
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

## Part II Corporate Information and Key Financial Information

### I Corporate Information

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.	TCL 集团		
Company name in English (if any)	TCL Corporation		
Abbr. (if any)	TCL Corp.		
Legal representative	Li Dongsheng		
Registered address	Block 19, Zhongkai Hi-Tech Development District, Huizhou City, Guangdong Province		
Zip code	516001		
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	<a href="mailto:ir@tcl.com">ir@tcl.com</a>		
Company honors	<ul style="list-style-type: none"> <li>◇ R&amp;F Top 100 in Brand Value</li> <li>◇ Forbes Top 100 Digital Companies</li> <li>◇ Top 50 Chinese Global Brand Builders 2018</li> <li>◇ 2017-2018 Consumer Electronics Top 10 Brands from China, 2017-2018 Global TV Brands Top 15, 2017-2018 Global Top 20 Smart Phones Brand, and 2017-2018 Global Consumer Electronics Brands Top 50 granted by International Data Group (“IDG”)</li> <li>◇ No. 8 among the 2017 Guangdong Private Enterprises Top 100 for the excellent operating performance of 2017</li> <li>◇ CES Asia 2018 Innovation Awards for TCL C6 New Theater TV and TCL Crystal Four-Door Refrigerator</li> <li>◇ Listed Company Most Respected by Investors 2017</li> <li>◇ No. 5 among the 2018 Chinese Electronic Information Enterprises Top 100 unveiled by China Information Technology Industry Federation</li> <li>◇ Forbes: World’s Best Employers</li> <li>◇ Best Board of Directors, Best Board Secretary and Best New Media Operation at the 9<sup>th</sup> Tianma Awards</li> </ul>		



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

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

## IV Change to Company Registered Information

Unified social credit code	91441300195971850Y
Change to principal activity of the Company since going public (if any)	N/A
Every change of controlling shareholder since incorporation (if any)	No change

## V Other Information

The independent audit firm hired by the Company:

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

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

Applicable  Not applicable

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

Name	Office address	Representative	Period of supervision
CITIC Securities Co., Ltd.	CITIC Securities Tower, No. 8 Zhongxin 3rd Road, Futian District, Shenzhen, China	Huang Biao and Liu Jian	From 25 December 2017 to 31 December 2018

## VI Key Financial Information

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

Yes  No

Series No.	Item	2018	2017	2018-over-2017 change (%)	2016
1	Operating revenue (RMB)	113,360,075,545	111,577,362,348	1.60	106,473,499,866
2	Gross profit (RMB)	20,393,602,825	22,512,673,777	-9.41	17,658,421,891
3	EBITDA	14,096,523,261	13,395,054,317	5.24	8,615,427,516
4	Profit before tax (RMB)	4,944,376,186	4,789,740,570	3.23	2,796,969,138
5	Net profit (RMB)	4,065,194,164	3,544,702,884	14.68	2,137,539,667
	Net profit attributable to the listed company's shareholders (RMB)	3,468,207,407	2,664,396,006	30.17	1,602,125,331
	Net profit attributable to the listed company's shareholders before non-recurring gains and losses (RMB)	1,587,391,372	1,190,649,328	33.32	13,337,995
6	Basic earnings per share (RMB/share) (note)	0.2566	0.2178	17.81	0.1312
	Diluted earnings per share (RMB/share)	0.2562	0.2178	17.63	0.1312
	Basic earnings per share before non-recurring gains and losses (RMB/share)	0.1175	0.0973	20.76	0.0011
7	Weighted average return on equity (%)	11.98	10.86	Up by 1.12 percentage points	7.17
	Weighted average return on	5.48	4.86	Up by 0.62 percentage	0.06

	equity before non-recurring gains and losses (%)			point	
8	Net cash generated from/used in operating activities (RMB)	10,486,580,443	9,209,615,123	13.87	8,028,002,475
	Net cash per share generated from/used in operating activities (RMB/share)	0.7739	0.6814	13.57	0.6573
		31 December 2018	31 December 2017	Change of 31 December 2018 over 31 December 2017 (%)	31 December 2016
9	Total assets (RMB)	192,763,941,739	160,293,985,835	20.26	147,136,785,349
10	Total liabilities (RMB)	131,892,269,092	106,151,046,949	24.25	101,390,003,766
11	Debt/asset ratio (%)	68.42	66.22	Up by 2.2 percentage points	68.91%
	Debt/asset ratio before borrowings obtained using bank deposit as a pledge and deferred income (%)	67.05	64.55	Up by 2.5 percentage points	66.42%
12	Total owners' equity (RMB)	60,871,672,647	54,142,938,886	12.43	45,746,781,583
	Owners' equity attributable to the listed company's shareholders (RMB)	30,494,364,951	29,747,067,178	2.51	22,764,892,022
13	Share capital (share)	13,549,648,507	13,514,972,063	0.26	12,213,681,742
14	Equity per share attributable to the listed company's shareholders (RMB/share)	2.2506	2.2010	2.25	1.8639

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

Total share capital at the end of the last trading session before the disclosure of this Report (share)	13,549,648,507
Fully diluted earnings per share based on the latest total share capital above (RMB/share)	0.2562

Indicate whether there are any corporate bonds.

Yes  No

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

Yes  No  Not applicable

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

Yes  Not applicable

### 1. Net Profit and Equity under CAS and IFRS

No such differences for the Reporting Period.

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

No such differences for the Reporting Period.

### 3. Reasons for Accounting Data Differences Above

Applicable  Not applicable

## VIII Key Financial Information by Quarter

Unit: RMB

	Q1	Q2	Q3	Q4
Operating revenue	25,629,844,055	26,893,904,238	29,713,396,587	31,122,930,665
Net profit	788,045,509	912,794,351	1,175,114,242	1,189,240,062
Net profit attributable to the listed company's shareholders	730,837,280	855,101,003	903,723,232	978,545,892
Net profit attributable to the listed company's shareholders before non-recurring gains and losses	521,159,061	472,277,800	601,362,425	-7,407,914
Net cash generated from/used in operating activities	3,034,386,560	1,340,841,734	3,181,204,574	2,930,147,575

Indicate whether any of the quarterly financial data in the table above or their summations differs materially from what have been disclosed in the Company's quarterly or interim reports.

Yes  No

## IX Non-Recurring Gains and Losses

Unit: RMB

Item	2018	2017	2016	Note
Gain or loss on disposal of non-current assets (inclusive of impairment allowance	-58,305,452	420,543,530	461,546,531	Not applicable

write-offs)				
Government subsidies charged to current profit or loss (exclusive of government subsidies given in the Company's ordinary course of business at fixed quotas or amounts as per the government's uniform standards)	1,377,064,570	1,159,442,050	1,112,069,855	Not applicable
Gain equal to the amount by which investment costs for the Company to obtain subsidiaries, associates and joint ventures are lower than the Company's enjoyable fair value of identifiable net assets of investees when making investments	-	191,917,137	34,527,018	
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)	162,729,226	-207,276,526	250,397,833	The RMB163 million income from wealth managed products in the Reporting Period was recognized as a non-recurring gain as per the CSRC rules.
Non-operating income and expense other than the above	871,846,769	504,575,138	17,914,360	Not applicable
Gain on the remeasurement of the fair value of the remaining equity interests in entities over which the Company has ceased control	-	-	392,545,425	
Less: Corporate income tax	191,940,974	310,502,820	251,325,615	Not applicable
Non-controlling interests (net of tax)	280,578,104	284,951,831	428,888,071	Not applicable
Total	1,880,816,035	1,473,746,678	1,588,787,336	Not applicable

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

Items:

Applicable  Not applicable



## Part III Business Summary

### I Principal Activity of the Company in the Reporting Period

During the Reporting Period, the Group primarily consists of 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.

A major asset restructuring plan has been approved at the Group's general meeting on 7 January 2019. And the restructuring is currently progressing on track. Upon the completion of the restructuring, the Group's core businesses will be modified to comprise the semi-conductor display and material business, the industrial finance & investment and venture capital business and the emerging business group:

#### 1. The Semi-Conductor Display and Material Business

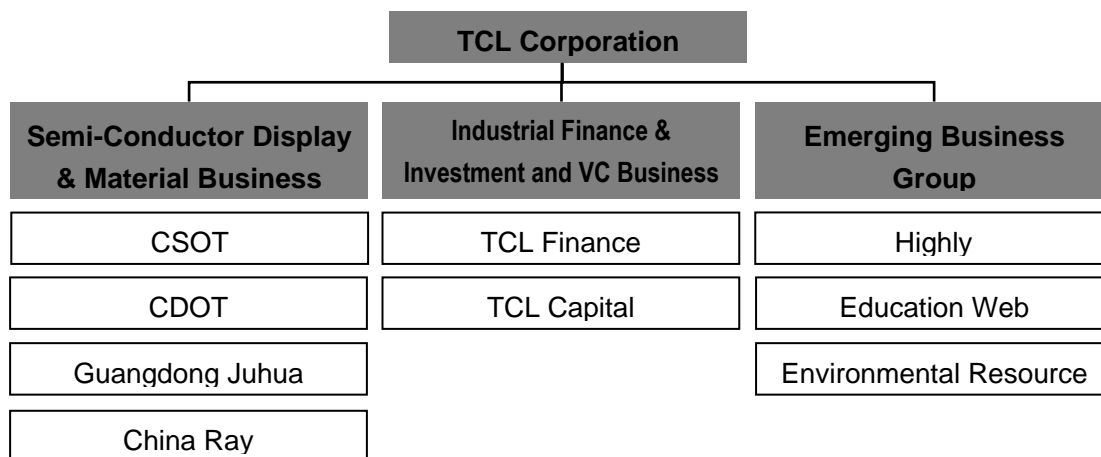
It consists of CSOT, CDOT (0334.HK), Guangdong Juhua and China Ray.

#### 2. The Industrial Finance & Investment and Venture Capital Business

It includes TCL Finance and TCL Capital.

#### 3. The Emerging Business Group

It comprises Highly, Educational Web and Environmental Resource.



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

## II Significant Changes in Major Assets

### 1. Significant Changes in Major Assets

Please refer to "Part IV Directors' Report" herein.

### 2. Major Assets Overseas

Applicable  Not applicable

## III Core Competitiveness Analysis

Upon 38 years of development, TCL has always stuck to industry with constant innovation, determination and the courage to change. Customer-orientation, all-win and maximized shareholders' interests have always been our operating philosophy. TCL will strive to be a world-class enterprise with global competitiveness. Keeping abreast of the times, leading technological advancements, forging ahead with responsibility and working hard, TCL has gradually established its competitive advantages for the future.

### Concentration on the Core Business for a Stronger Ability of Sustainable Development

Upon the Restructuring of selling the terminal and supporting business, the Group is able to concentrate more on the semi-conductor display and material business, with a better capital structure and a stronger ability of sustainable development. The technology-driven semi-conductor display and material business with high added value will greatly improve the Group's profitability.

The Group will concentrate the majority of its effort and resources on this business, solidifying its advantages in operating efficiency, costs and expenses, as well as scale benefits, and at the same time strengthening investments in links such as R&D, production process improvement, lean management and supply chain management. In this way, the Group will boost its market share and competitiveness in the semi-conductor display and material industry. CSOT has two G8.5 and one G6 LTPS production lines running at full capacity for strong sales. The G11 line, the highest generation around the world, has started production. The G6 AMOLED line has begun operation. And the construction of the G11 line of 8K and large-sized AMOLED is underway. These production lines will significantly boost the production scale and economic benefits.

### **The Competitive Edge of Technology-Driven, Leading Economic Benefits in the Global Industry**

The Group will promote the R&D and application of new display technologies, materials and production processes based on CSOT's business platform. Meanwhile, it will make use of Guangdong Juhua's "Printed and Flexible Display Technology Platform" to develop the next-generation new display technology, as well as to accelerate the development of materials for printed AMOLED, evaporated AMOLED and electroluminescent QLED. In terms of evaporated AMOLED, CSOT has completed technology development and reserve on the G4.5 trial line and its G6 flexible AMOLED production line has started production soon after the start of operation. In the field of printed display, the "National Printed and Flexible Display Innovation Center" of Guangdong Juhua is the only national innovation center in China's display sector, as well as the most advanced printed display public platform around the world. It has successfully developed the 31-Inch 4K Printed OLED and the world's first 31-Inch 4K Printed H-QLED. Meanwhile, China Ray has undertaken the national "Printed OLED Key Material Commercialization Demonstration Programme", taking the lead in the development and application of printed OLED materials. With regard to the development of electroluminescent QLED materials, the Group's QLED R&D team has solved key issues such as the useful life of red-light and green-light QLEDs, and the self-developed blue-light QLED shows the best performance around the world. The relevant research achievements have been published on *Nature Communications*, a top international science magazine, indicating industry-wide leading levels of R&D and development progress.

The Group develops new display technologies and applications through internal business expansion and independent development. In addition to that, the Group will proactively leverage incubation, investment, strategic cooperation, M&A and other means to explore opportunities for industrial chain extension. CSOT will strive to materialize advanced products and technology, as well as to maintain the leading efficiency and economic benefits, so as to build up competitive edges in the global industry.

### **Great Strength in R&D and Global Operations**

The Group has set up R&D centres in Hong Kong, the U.S., the Europe, Wuhan and other places to strengthen the research on basic technologies such as AI, big data, intelligent manufacturing and the industrial Internet. The Hong Kong R&D Centre specializes in intelligent product application, as well as key image and big data technologies; the R&D centre in the U.S. works on supporting Internet operation technologies; the Wuhan R&D Centre concentrates on algorithms in relation to AI technologies such as image recognition, as well as voice recognition and understanding; and the European R&D Centre will focus on AI algorithms. In AI algorithms, data and application scenario construction, the relevant results have been applied to its products and the development of display materials. The Group also develops intelligent manufacturing and industrial Internet products, technologies and solutions with independent core intellectual properties (IP). Deeply integrating industrial and information technology resources, the Group will provide an industrywide advanced industrial Internet platform to help upgrade the semiconductor display plants with intelligent, digital and modular management systems, as well as with scenario-based intelligent manufacturing solutions.

During the Reporting Period, the Group applied for 1,607 international patents through PCT, representing a cumulative number of 9,990, covering Europe, the U.S., South Korea, etc. In addition, up to the end of the Reporting Period, the Group has cumulatively applied for 36,389 Chinese patents and 8,363 U.S. patents. Among those, CSOT has applied for 14,372 Chinese patents and 7,684 U.S. patents, indicating a domestically advanced level of patented technologies in domestically; in the quantum-dot electroluminescence field, applications have been filed for 757 patents, ranking the world's second highest in this regard.

## **The Advantage of Effective Collaboration among the Business Groups**

The Group will sustain the industrial finance & investment and venture capital operations after the restructuring, primarily comprising TCL Finance and TCL Capital. TCL Finance provides financial services to the upstream and downstream partners of the core businesses and the industrial chain, which also uses the surplus capital for more gains. TCL Capital focuses on the core business chain, investing in the forefront of areas such as key electronic devices, basic software and high-end universal chips. The industrial finance & investment and venture capital business can help concentrate on the industrial chain of the core businesses. The stable profit contributions from it can also help offset the impact of cyclical swings on the semi-conductor display sector. Meanwhile, CSOT will give full play to its existing capacity and technology advantages, so as to transform faster towards a multi-application-scenario display interface provider. In order to do that, CSOT continues to refine its existing product and customer structures, as well as actively work on the development of display products for interactive whiteboards, tiled video walls, advertisement players, gaming, vehicles, etc. for a larger share in these segment markets with high added value. It aims to promote market demand with its multi-scenario display application, and boost profit with differentiated products with high added value.

## **Enriching the Content of the “Hawkish Spirit” and Strengthening the Corporate Cultural Gene**

The “Hawkish Spirit” is a unique TCL spirit developed through more than ten years of ups and downs. It is an epitome of TCL’s values and unique competitiveness, as well as TCL’s intellectual wealth and what unites TCL people. The content of the “Hawkish Spirit” will be re-defined in the new development process. It will encourage all the TCL people to keep going, face the problems, change through self-criticism and maintain entrepreneurial passion as always.

## Part IV Directors' Report

### I Overview

In order to promote high-quality growth on such a large business scale, the Group started in 2017 the reform and transformation through “modifying the operating philosophy, refining the organizational flow, innovating business models and removing development obstacles”. It streamlined the operation and management process, optimized the business and organizational structures, kept promoting cost efficiency, as well as strengthened the position and competitive edges of its core businesses in the industry. For 2018, the Group recorded operating revenue of RMB113.36 billion, representing a year-on-year increase of 1.60%; core business revenue of RMB112.28 billion, rising by 1.60% compared to a year ago; a net profit of RMB4.07 billion, representing a 14.7% year-on-year increase; and a net profit attributable to TCL shareholders of RMB3.47 billion, representing an increase of 30.2% compared to a year ago. Meanwhile, net profit margin was up from 2% in 2016 to 3.6%, ROE up from 7.2% to 12%, and per-capital net profit up from RMB35,500 to RMB38,600, representing notably better operational efficiency and performance. In all, this round of reform has yielded preliminary results.

Upon efforts of more than two years, the sale and shutdown of 63 non-core enterprises resulted in a considerable drop in enterprises running in the red and redirected human, capital and technology resources to the core businesses with increasing competitiveness. During the Reporting Period, CSOT maintained full production and sales, as well as industry-wide leading operational efficiency and profitability, posting a steady profit of RMB2.32 billion amid a weakening industry. The intelligent terminal business saw better profitability with greater product strength and a larger market share thanks to resource support from other businesses in R&D, manufacturing, supply chain management, distribution channel, branding, etc. And all the other businesses registered stable operation and growth with profit contributions to the Group. As a result, the Group's profitability is gradually improving.

However, due to the different natures and development stages of the industries of the Group's businesses, they differ greatly in business model and way of operation and management. This remains the major obstacle of the Group's business growth and value creation. Therefore, the Group

accelerates the refining of its business and capital structures by stripping off its terminal and related business, so as to further concentrate resources to satisfy the needs of the capital- and technology-intensive semi-conductor display and material business. It aims to build up the competitive edges of its core businesses through continuous concentration and sufficient resource commitment. The said restructuring plan has been approved at the First Extraordinary General Meeting of 2019 on 7 January 2019. And the restructuring is currently progressing on track. In the Reporting Period, the Group still managed and measured based on the old business structure, i.e. the semi-conductor display business group, the intelligent terminal business group and the emerging business group.

**The capital structure and profitability have been improved to build up the Group's ability of sustainable development.**

The said major asset restructuring is a cash deal. The Group received RMB4.76 billion in cash for the asset sale, which was considered a one-off restructuring income of the period of the settlement. This brought up both the assets and profit attributable to TCL shareholders.

Excluding the target assets in the restructuring, for 2018, the Group recorded a net profit of RMB3.55 billion, of which the net profit attributable to TCL shareholders stood at RMB3.15 billion. Meanwhile, major financial indicators improved to varying degrees. To be specific, the debt/asset ratio dropped from 68.4% to 64.1%, the net profit margin on sales rose from 3.59% to 7.35%, the number of employees decreased from 89,750 to 31,645, and the per-capital net profit increased from RMB38,600 to RMB99,600.

This restructuring has helped refine the Group's capital structure, as well as significantly boost profitability and returns for shareholders. The Group will embrace a whole new development stage with high-speed and high-quality growth.

**The strategic transformation towards a technology conglomerate will help the Group concentrate resources on its core businesses.**

Upon the completion of the restructuring, the Group will become a technology conglomerate.

The semi-conductor display and material business will be the Group's core business. It will further solidify its leading advantages in product and technology innovation and operational efficiency,

obtain a larger market share and a better position in the industry through production ramp-up plus technology and production process upgrade, as well as build a bigger and stronger business of semi-conductor display and materials by vertical extension to the upstream and downstream industrial chain, as well as by horizontal cross-industry integration. It is committed to becoming a leader in the global industry.

The industrial finance & investment and venture capital business will be sustained to provide sufficient resource assurance for the development of the core business. The industrial finance business is positioned to offer capital and asset management services for the core business. It helps increase capital utilization efficiency and cut down finance costs under controllable risk. The investment and venture capital business will explore opportunities at the forefront of core-business-related new technologies, new materials and new applications, so as to increase the Group's control over the key links of its industrial chain. The stable profit contributions from the industrial finance & investment and venture capital business can also help offset the impact of cyclical swings on the semi-conductor display sector.

As for the other businesses that have been sustained in the restructuring, they are generally operating in a steady manner with profit contributions to the Group. But they are not closely connected to the core business, so for further concentration, the Group will gradually divest these businesses by means of restructuring, divestiture, sale or other ways at proper timings according to the principle of maximum value for shareholders.

Meanwhile, the Group will make use of its capital, technology and operational and management efficiency advantages to look for M&A opportunities in technology- and capital-intensive high-tech industries. This is to create a new driving force of the Group's business growth in addition to the semi-conductor display and material business, driving growth with technology.

**The Group focuses on the three core technologies and drives growth through product and technology innovation.**

New semi-conductor display technologies and materials, artificial intelligence (AI) and big data, as well as intelligent manufacturing and the industrial Internet are the Group's three major strategic directions. In 2018, the Group spent RMB5.67 billion on R&D, up by 20% year-on-year.



In the field of printed display, the "National Printed and Flexible Display Innovation Center" of Guangdong Juhua is the only national innovation center in China's display sector, as well as the most advanced printed display public platform around the world. It has successfully developed the 31-Inch 4K Printed OLED and the world's first 31-Inch 4K Printed H-QLED. In terms of material development for OLED, China Ray has developed, in an independent manner, red-light and green-light evaporated OLEDs which are domestically advanced. In addition, the Group's QLED R&D team has solved key issues such as the useful life of red-light and green-light QLEDs, and the self-developed blue-light QLED shows the best performance around the world.

The Group has set up multiple R&D centres across the world, which are dedicated to the basic common technology research of AI and big data. The Hong Kong R&D Centre specializes in intelligent product application, as well as key image and big data technologies; the R&D centre in the U.S. works on supporting Internet operation technologies; the Wuhan R&D Centre concentrates on algorithms in relation to AI technologies such as image recognition, as well as voice recognition and understanding; and the European R&D Centre will focus on AI algorithms. Thanks to the introduction of global leading talent, the Group has achieved better abilities in algorithm, data and application scenario construction in a fast pace, which have been applied to its products and the development of display materials.

In the area of intelligent manufacturing and industrial Internet, the Group develops such products, technologies and solutions with independent core intellectual properties (IP). Deeply integrating industrial and information technology resources, the Group will provide an industrywide advanced industrial Internet platform to help upgrade the semiconductor display plants with intelligent, digital and modular management systems, as well as with scenario-based intelligent manufacturing solutions.

During the Reporting Period, the Group applied for 1,607 international patents through PCT, representing a cumulative number of 9,990, covering Europe, the U.S., South Korea, etc. In addition, up to the end of the Reporting Period, the Group has cumulatively applied for 36,389 Chinese patents and 8,363 U.S. patents. Among those, CSOT has applied for 14,372 Chinese patents and 7,684 U.S. patents, indicating a domestically advanced level of patented technologies in domestically; in the quantum-dot electroluminescence field, applications have been filed for 757

patents, ranking the world's second highest in this regard.

**With significantly improved industrial capability, the Group keeps enriching its product range and multi-scenario applications.**

The t6 project (the G11 production line), mainly for 65-inch, 75-inch and other super-large-sized new display panels, went into production in November 2018, which was ahead of schedule. The t7 project (another G11 production line), positioned to produce 8K and OLED large-sized display panels, is under construction. As for small- and medium-sized displays, the t3 project (the G6 LTPS-LCD production line) started to run at full capacity for quick sale in the fourth quarter of 2018, with its shipment jumping to No. 3 around the world, representing the world's fastest growth speed. The t4 project (the G6 flexible LTPS-AMOLED production line) has started production, with capacity and the yield rate gradually improving. CSOT is also proactively making plans to enter new markets of large-sized panels for touch modules, electronic whiteboards, tiled video walls, specialized high-end monitors, etc. as a way to increase the proportion of high-tech and high-added-value products in its product mix.

The intelligent terminal business continued to optimize its product mix and significantly improved its product strength. According to China Market Monitor, a data firm, TCL TV's brand-price index on China's market has risen from 102 in 2017 to 110 in 2018, jumping to No. 2. In the Reporting Period, the sales volume of TCL Electronics' 55-inch-and-above products accounted for a market share 25.2%, up by 4.6 percentage points year-on-year; the sales volume of 4K products went up fast, with a market share of 40%; and the sales volume of curved TV ranked first on the market.

**With progress in branding and global operations, the Group has started to utilize its industrial chain capability overseas.**

During the Reporting Period, with opportunities arising from the "Belt and Road Initiative" and the integration of the consumer electronics industry, the Group beefed up its global expansion. As a result, it has broken into the European market and expanded its business in India and Russia. The Group integrates the business resources of TCL Electronics, TCL Communication and TCL Household Electric Appliance Group, as well as promotes intragroup cooperation in product

development, industrial chain management, marketing and global branding. Through enhancing branding and product strength, TCL is shifting from a Chinese brand to a competitive global brand. The Group owns 28 R&D centres, 10 joint labs and 22 manufacturing bases across the world, covering over 160 countries and regions. In the Reporting Period, revenue generated by the Group's overseas business accounted for 49.7% of its total revenue.

The whole-module integrated intelligent manufacturing industrial park in India, which has started construction in late December 2018, helps materialize the shift from a single product model to a screen-to-TV-module industrial chain. This will help improve the global operation and management ability, so as to lay a solid foundation for the globalization of the Group's semi-conductor display and material business.

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.

### **The Group builds up its digital operation capability to promote digitization in management and business operation.**

To promote digitization and improve intelligent manufacturing, the Group coordinated internal resources in a bid to deeply integrate industrial technology and information technology resources, as well as promote digitization and IT in management and operation. Meanwhile, the Group's intelligent manufacturing resources are tapped to establish an intelligent manufacturing service center to boost the intelligent manufacturing capability of all the businesses. So far, the Company's digital operation platform has reserved products with independent IP in the Industrial Internet, intelligent enabling technology, intelligent plants and intelligent equipment. It is launching products and services in three major fields, IoT platforms, industrial software and IT service for factory management. In order to seize overseas opportunities in the accelerating transformation and upgrade of China's manufacturing sector, the Group will, based on years of accumulation in the manufacturing sector and advanced technologies in the industry, provide intelligent manufacturing products and solutions for overseas customers, as well as build an industry-level industrial Internet

platform.

## II Core Business Analysis

The major asset restructuring plan has been approved at the Group's general meeting on 7 January 2019. And the restructuring is currently progressing on track. Upon the completion of the restructuring, the Group's core businesses will be modified to comprise the semi-conductor display and material business, the industrial finance & investment and venture capital business and the emerging business group:

### 1. The Semi-Conductor Display and Material Business

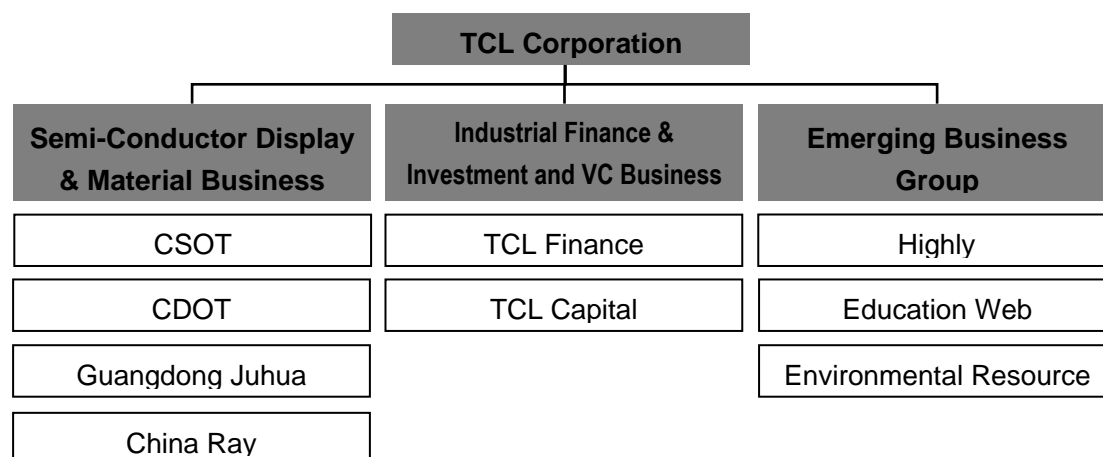
It consists of CSOT, CDOT (0334.HK), Guangdong Juhua and China Ray.

### 2. The Industrial Finance & Investment and Venture Capital Business

It includes TCL Finance and TCL Capital.

### 3. The Emerging Business Group

It comprises Highly, Educational Web and Environmental Resource.



## (I) The Semi-Conductor Display and Material Business

### 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. In addition to further

consolidating its leading position as a large-sized TV panel provider, CSOT is strengthening its product advantage in the area of small- and medium-sized panels through ongoing technology innovation, so as to increase its overall competitiveness. In the meantime, it also accelerates its transformation towards a multi-application-scenario display interface provider. By expanding its segment market share of products with high added value, it strives for higher profit.

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. In the Reporting Period, CSOT recorded operating revenue of RMB27.67 billion and a net profit of RMB2.32 billion.

### **1.1 Large-Sized Panel Business Group**

During the Reporting Period, the two G8.5 lines of CSOT, t1 and t2 projects, maintained full production and sales. A total of 3.593 million glass substrates were inputted, representing a year-on-year increase of 7.95%. CSOT's large-sized LCD panel shipment remains the fifth in the globe, with the shipments of the 32-inch and 55-inch UD products both being the second largest in the world, as well as consecutively ranking first in shipment to major domestic brand customers.

The G11 TFT-LCD and AMOLED new display production line (t6 project), mainly producing 65-inch, 75-inch and other ultra-large-sized new display panels, has started production in November 2018 and is expected to reach full capacity in late 2019. The G11 UHD new display production line (t7 project), which has started construction in November 2018, is mainly responsible for the production and sales of 65-inch, 70-inch (21:9) and 75-inch 8K UHD displays and AMOLED display products.

The first phase of CSOT's integrated intelligent module manufacturing base (High Generation Module Project) has been put into production, with an annual processing capacity of 40 million LCD modules. Bulk shipment has been achieved. 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 of CSOT in the sector of semiconductor displays.

### **1.2 Small- and Medium-Sized Panel Business Group**

Benefiting from a sharp rise in the shipment to international top brand customers, the G6 LTPS-LCD production line (t3 project) realized full production and sales in the fourth quarter of the year under review, with remarkable year-on-year improvements in market share and profitability. According to AVC, a data firm, in the fourth quarter of 2018, CSOT's shipment of 24.8 million pieces ranked No. 3 worldwide and No. 2 domestically, representing the world's fastest growth speed.

The G6 LTPS-AMOLED flexible production line (t4 project) is expected to start mass production in 2019, with the development and verification of key technologies well underway. CSOT's G4.5 flexible AMOLED trial line in Wuhan has helped prepare for the rapid mass production of t4 products in terms of beforehand technology and talent reserve.

CSOT will give full play to its existing capacity and technology advantages, so as to transform faster towards a multi-application-scenario display interface provider. In order to do that, CSOT continues to refine its existing product and customer structures, as well as actively work on the development of display products for interactive whiteboards, tiled video walls, advertisement players, gaming, vehicles, etc. for a larger share in these segment markets with high added value. It aims to promote market demand with its multi-scenario display application, and boost profit with differentiated products with high added value.

## **2. CDOT**

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

In the Reporting Period, CDOT fully leveraged synergy with CSOT, refined its product mix and brought in a number of international top brand customers. As a result, it sold 60.48 million modules (a 13.0% year-on-year increase), generating sales revenue of RMB5.28 billion (a 52.4% year-on-year increase). Meanwhile, following the business strategy of being a provider of multi-application-scenario display interface, CDOT is actively expanding its share in the smart home and commercial display markets by way of working with famous Internet companies to launch smart home products equipped with its display modules. It will also improve its business

composition and enhance its product competitiveness and profitability.

### **3. Guangdong Juhua**

As the contractor of the "National Printed and Flexible Display Innovation Center", Guangdong Juhua is the first national innovation center in China's display sector. It is mainly engaged in the research of key common technologies of printed and flexible display. To build up China's public R&D platform for printed display and create a printed display eco-system, it cooperates with universities, research institutes, internationally renowned materials and equipment companies, so as to integrate resources within the industry and develop such core technology.

In the Reporting Period, Guangdong Juhua's development of printed display technology went well. In the large-sized area, it has successfully developed the 31-Inch UHD (4K) Printed OLED and the 31-Inch UHD Top-Emitting Printed H-QLED, which is the world's highest resolution printed QLED, as well as the world's first such product to adopt both advantages of electroluminescent quantum-dot materials and OLED materials. While in the small-sized area, it completed the development of the 5-inch ultra-high resolution (400ppi) printed AMOLED, which is the highest resolution display device completed by the printed technology.

### **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's R&D of new materials was progressing in a smooth manner. It has developed over 700 types of emitting materials with independent IP, many of which have been accepted by China's mainstream panel production lines and some of them have realized bulk supply. China Ray now has three kinds of emitting materials with independent IP—red-light and green-light materials based on evaporation process, as well as solution-processed green-light materials, all of which are of a globally advanced performance.

To support the national overall planning of new display materials and technologies, China Ray

independently develops printed OLED materials, including red-light and green-light emitting materials and devices, which reach domestically advanced performance. And breakthroughs have also been made concerning the blue-light emitting materials.

## **(II) The Industrial Finance & Investment and Venture Capital Business**

The Group will sustain the industrial finance & investment and venture capital operations after the restructuring, primarily comprising TCL Finance and TCL Capital. TCL Finance provides financial services to the upstream and downstream partners of the core businesses and the industrial chain, increasing capital utilization efficiency and cutting down finance costs under controllable risk. It also uses the surplus capital for more gains. TCL Capital focuses on the core business chain, investing in the forefront of areas such as key electronic devices, basic software and high-end universal chips.

The industrial finance & investment and venture capital business can help concentrate on the core businesses, as well as boost management and operational efficiency. The stable profit contributions from it can also help offset the impact of cyclical swings on the semi-conductor display sector.

### **1. TCL Finance**

TCL Finance mainly comprises the Group's finance and the supply chain finance.

The Group's finance primarily involves providing financial and management support to the major businesses and subsidiaries within the Group, and undertaking the functions of efficiency improvement and risk management of Group assets. During the Reporting Period, TCL Finance Co., Ltd. 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. Its asset scale, gross profit, ROE and capital concentration are all of a leading level in the industry.

The supply chain finance is divided into industrial chain finance and consumer finance, providing financial services for industrial chain partners, Group employees and Group product consumers respectively. During the Reporting Period, 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. By 2018, the number of B2B finance clients reached more than 13,000, while the registered retail finance clients were close to 50,000.

## 2. TCL Capital

TCL Capital includes the venture capital and financial investment business, as well as Admiralty Harbour Capital Limited.

The venture capital business focuses on investment opportunities in prospective and innovative technology according to the development needs of the Group's core businesses, with major investments in new materials, new energy, major consumption and high-end manufacturing industries. Up to the end of the Reporting Period, the venture capital business manages funds of RMB9.365 billion in total, and has accumulatively invested in 108 projects, with shareholdings in listed companies such as Petro-King, Sky Solar, Jinyu, ZJBC, HyUnion Holding, CATL and S.C. In addition, in the non-core investments, the Group cautiously evaluates financial investment opportunities. At present, it holds a 19.07% interest in 712 Corp. (603712.SH), a 20.08% interest in Fantasia Holdings (01777.HK), and a 4.99% interest in Bank of Shanghai (601229.SH).

Admiralty Harbour Capital Limited, a majority-owned subsidiary of the Group and a financial institution holding Licenses No. 1, No. 4 and No. 9 in Hong Kong, is approved in 2017 by the Securities and Futures Commission of Hong Kong to engage in securities trading, providing securities-related advice and offering asset management service. The subsidiary signed and introduced in March 2018 a management and operation team comprising international senior experts, with the purpose of building an innovative, efficient financial service platform. It has been providing financial service for third-party clients for revenue since August 2018. On the capital market, it completed two bond issues in 2018, and provides debt management consulting service for a Hong Kong listed company as their financial advisor. In regard with asset management, the subsidiary has accomplished the preparations for two global bond funds, and has been engaged in investment management since November 2018.

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

#### **1. 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.

Following the strategy of "sales + service", Highly Information is committed to becoming a computing equipment provider in the intelligent era. Highly Information achieved sales revenue of RMB16.54 billion and a net profit attributable to the Company as the parent of RMB0.199 billion in the Reporting Period.

#### **2. Educational Web**

Open Edutainment is the largest web-based degree course provider in China. It is a leader in web-based degree course 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 (IMOOC) reached 14.70 million, ranking first in the industry.

### **(IV) Major Target Businesses of the Restructuring Plan**

Having been approved at a general meeting on 7 January 2019, the Group's major asset restructuring plan is targeted at the restructuring of the intelligent terminal and related business. Upon the completion of relevant transaction, this business will be stripped off from the Group and excluded from the Group's consolidated financial statements.

#### **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. It is aimed at becoming a world-leading intelligent technology firm and achieving market leadership in China and around the world.

During the Reporting Period, the sales revenue of TCL Electronics increased by 9.25% year-on-year to RMB38.57 billion (HK\$45.58 billion). The net profit attributable to the Company as the parent increased by 14.4% year-on-year to RMB0.801 billion (HK\$0.944 billion). The aggregate sales volume of LCD TVs reached 28.606 million sets (including commercial displays), showing an increase of 23.1% year-on-year. According to Sigmaintell, a consulting firm, TCL Electronics achieved a global market share of 11.6% in terms of TV shipment in 2018, the second largest.

TCL Electronics achieved a sales volume of 18.214 million TV sets in overseas markets, representing an increase of 29.5% year-on-year. To be specific, the sales volume in the North America market rose by 41.8% from a year ago, jumping to No. 2 in the third quarter and November; the sales volume in the emerging markets increased by 30.7% year-on-year, with impressive growth in India, Southeast Asia, Brazil and Australia; and the sales volume in the European market increased by 43.1% year-on-year, with growth particularly in France, Germany, Italy, Spain, etc.

## **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, as well as establish a customer-oriented product definition and sales system.

Following the operating strategy of “building strength in products, the supply chain and marketing, as well as improving the basic corporate management system”, TCL Communication shortened the time needed for the development of a product, increased the supply chain efficiency, and set up a customer-oriented marketing system. As a result, it has seen the average selling price and gross profit margin increase, operating expenses go down, and loss decrease as compared to the previous

year. However, due to the fiercer market competition and the impact of reforms and adjustments, TCL Communication sold 33.87 million units of products during the Reporting Period, representing a drop of 23% year-on-year.

### **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.

In face of the complicated operating environment at home and abroad, TCL Household Electric Appliance Group drove product upgrades based on the category leading strategy, as well as proactively promoted cost efficiency throughout the industrial chain. Capitalizing on the marketing and brand advantages of TCL Electronics, it promoted lean management, improved its customer structure, and optimized the domestic and foreign sales mix to achieve high-quality scale growth. During the Reporting Period, it sold 9.197 million units of air-conditioners (an 0.3% year-on-year increase), 2.368 million units of washing machines (a 23.5% year-on-year increase), and 1.77 million units of refrigerators (a 14.6% year-on-year increase). During the Reporting Period, TCL Household Electric Appliance Group posted sales revenue of RMB17.46 billion, up by 9.87% when compared to the prior year.

### **4. 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.

In the Reporting Period, in addition to strengthening the development and innovation of smart voice speakers, Tonly Electronics also worked actively on cross-industry smart voice application products. Leveraging its first mover advantage in smart voice technology and the cooperation relationship with various voice ecosystems, it marketed its smart products to brand customers outside the smart speaker industry. During the Reporting Period, Tonly Electronics achieved sales revenue of RMB6.18 billion (HK\$7.30 billion), representing a year-on-year increase of 21.8%.

## 2. Revenue and Cost Analysis

### (1) Breakdown of Sales Revenue

Unit: RMB

	2018		2017		Change (%)
	Sales revenue	As % of total sales revenue (%)	Sales revenue	As % of total sales revenue (%)	
CSOT	27,537,312,308	24.53%	30,475,095,111	27.58%	-9.64%
Highly	16,536,580,699	14.73%	15,200,566,276	13.75%	8.79%
TCL Electronics	38,569,124,963	34.35%	35,304,642,696	31.95%	9.25%
TCL Household Electric Appliance	17,458,889,700	15.55%	15,890,528,400	14.38%	9.87%
TCL Communication	12,564,163,915	11.19%	14,974,744,729	13.55%	-16.10%
Tonly Electronics	6,176,286,717	5.50%	5,072,397,750	4.59%	21.76%
Others and eliminated intercompany accounts	-6,559,765,476	Not applicable	-6,407,078,001	Not applicable	Not applicable
Total sales revenue	112,282,592,826	100.00%	110,510,896,961	100.00%	1.60%

### (2) Sales Revenue by Operating Segment

Unit: RMB

	2018		2017		Change (%)
	Sales revenue	As % of total sales revenue (%)	Sales revenue	As % of total sales revenue (%)	
Domestic core business	56,473,133,329	50.30%	56,321,585,935	50.96%	0.27%
Overseas core business	55,809,459,497	49.70%	54,189,311,026	49.04%	2.99%
Total sales revenue	112,282,592,826	100.00%	110,510,896,961	100.00%	1.60%

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

□ Applicable ■ Not applicable

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

Compared with 2017, 35 subsidiaries (34 newly incorporated and another one due to acquisition of control) are newly included in and 31 subsidiaries (20 de-registered, four transferred and another seven due to cease of control caused by a decreased interest) are excluded from the consolidation scope of 2018.

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

Applicable  Not applicable

**(6) Major Customers and Suppliers**

Major customers:

Total sales to top five customers (RMB)	17,833,273,051
Total sales to top five customers as % of total sales of the Reporting Period (%)	15.88%
Total sales to related parties among top five customers as % of total sales of the Reporting Period (%)	-

Top five customers:

No.	Customer	Sales revenue contributed for the Reporting Period (RMB)	As % of total sales revenue (%)
1	Customer A	5,320,999,943	4.74%
2	Customer B	3,633,016,047	3.24%
3	Customer C	3,500,719,617	3.12%
4	Customer D	2,954,321,077	2.63%
5	Customer E	2,424,216,367	2.16%
Total	Total	17,833,273,051	15.88%

Other information about major customers:

Applicable  Not applicable

Major suppliers:

Total purchases from top five suppliers (RMB)	19,095,960,306
Total purchases from top five suppliers as % of total purchases of the Reporting Period (%)	20.78%
Total purchases from related parties among top five suppliers as % of total purchases of the Reporting Period (%)	-

Top five suppliers:

No.	Supplier	Purchase in the Reporting Period (RMB)	As % of total purchases (%)
1	Supplier A	6,307,241,108	6.86%
2	Supplier B	4,351,718,884	4.74%
3	Supplier C	3,898,168,759	4.24%
4	Supplier D	2,388,167,687	2.60%
5	Supplier E	2,150,663,868	2.34%
Total		19,095,960,306	20.78%

Other information about major suppliers:

Applicable  Not applicable

## 7. Expense

Unit: RMB

	2018	2017	Change (%)	Reason for any significant change
Selling expense	8,887,021,380.00	9,511,063,675.00	-6.56%	A decline in advertising expense and sales promotional expense
Administrative expense	4,299,610,008.00	4,676,573,595.00	-8.06%	Intermediary fees
R&D expense	4,677,578,988.00	4,779,466,163.00	-2.13%	Cost control
Finance costs	973,260,519.00	1,665,274,997.00	-41.56%	Exchange rate fluctuations

## 8. R&D Expense

Details about R&D expense:

	2018	2017	Change (%)
Number of R&D personnel	12,481	10,946	14.02%
R&D personnel as % of total employees	16.63%	14.58%	7.36%
R&D expense (RMB)	5,670,918,950	4,721,201,060	20.1%
R&D expense as % of operating revenue	5.00%	4.25%	Up by 0.75 percentage point
Capitalized R&D expense (RMB)	1,832,275,281	1,627,463,339	12.58%
Capitalized R&D expense as % of total R&D expense	32.31%	34.33%	Down by 2 percentage points

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

Applicable  Not applicable

Reason for any sharp variation in the percentage of capitalized R&D expense and rationale:

Applicable  Not applicable

## 9. Cash Flows

Unit: RMB

Item	2018	2017	Change (%)
Subtotal of cash generated from operating activities	130,101,601,946	127,113,578,788	2.4%
Subtotal of cash used in operating activities	119,615,021,503	117,903,963,665	1.5%
Net cash generated from/used in operating activities	10,486,580,443	9,209,615,123	13.9%
Subtotal of cash generated from investing activities (note 1)	60,058,874,214	28,596,545,129	110.0%
Subtotal of cash used in investing activities (note 2)	88,289,416,141	45,521,704,534	94.0%
Net cash generated from/used in investing activities (note 3)	-28,230,541,927	-16,925,159,405	-66.8%
Subtotal of cash generated from financing activities	63,323,909,094	51,420,471,219	23.1%
Subtotal of cash used in financing activities	43,284,087,005	42,868,342,032	1.0%
Net cash generated from/used in financing activities (note 4)	20,039,822,089	8,552,129,187	134.3%
Net increase in cash and cash equivalents (note 5)	2,421,213,397	-534,486,172	553.0%

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

Note 1: Cash generated from investing activities rose 110% as compared to 2017, primarily driven by the withdrawal of cash on wealth management.

Note 2: Cash used in investing activities rose 94% as compared to 2017, primarily driven by fixed asset investments and wealth management purchases.

Note 3: Net cash generated from investing activities declined 67% as compared to 2017, primarily driven by fixed asset investments and wealth management purchases.

Note 4: Net cash generated from financing activities rose 134% as compared to 2017, primarily driven by borrowings obtained.

Note 5: Net increase in cash and cash equivalents rose 553% as compared to 2017, primarily driven by a larger amount of net cash generated from operating and financing activities.

## III Analysis of Non-Core Businesses

Applicable  Not applicable



## IV Analysis of Assets and Liabilities

### 1. Significant Changes in Asset Composition

Unit: RMB

	31 December 2018		31 December 2017		Change in percentage (%)	Reason for any significant change
	Amount	As % of total assets	Amount	As % of total assets		
Accounts receivable	13,651,444,917	7.08%	14,793,671,898	9.23%	-2.15%	Remittances of the Group
Construction in progress	38,924,586,355	20.19%	14,775,237,325	9.22%	10.97%	More ongoing constructions for the t4 and G11 LCD panel production lines
Short-term borrowings	13,287,723,834	6.89%	16,036,554,607	10.00%	-3.11%	Repayment of borrowings
Long-term borrowings	36,864,922,669	19.12%	20,283,380,765	12.65%	6.47%	New borrowings obtained

### 2. Assets and Liabilities at Fair Value

Unit: RMB

Item	Beginning amount	Gain/loss on fair-value changes in the Reporting Period	Cumulative fair-value changes charged to equity	Impairment allowance for the Reporting Period	Purchased in the Reporting Period	Sold in the Reporting Period	Ending amount
Financial assets							
1. Financial assets at fair value through profit or loss (exclusive of derivatives)	1,543,843,738	-54,348,583	-	-	-	768,100,000	721,395,155
2. Derivative financial assets	687,431,897	-298,956,859	-	-	27,709,511	-	416,184,549
3. Available-for-sale financial assets	1,159,165,770	-	-438,844,906	96,717,659	2,179,984,949	886,421,741	1,917,166,413
Subtotal of financial assets	3,390,441,405	-353,305,442	-438,844,906	96,717,659	2,207,694,460	1,654,521,741	3,054,746,117
Financial liabilities	442,942,029	-204,115,699	-	-	-	26,729,263	212,097,067

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

Yes  No

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

Restricted assets	Carrying amount (RMB'000)	Reason for restriction	As % of total assets	Remark
Monetary capital	868,900	Deposited by the finance subsidiary in the central bank as the required reserve	0.45%	Restricted
Monetary capital	224,940	Other monetary capital	0.12%	Restricted
Accounts receivable	47,090	Factored or put in pledge for loans	0.02%	In pledge
Fixed assets	43,113,350	As collateral for loan	22.37%	Collateralized
Intangible assets	4,337,850	As collateral for loan	2.25%	Collateralized
Total	48,592,130		25.21%	

## V Investments Made

### 1. Total Investment Amount

Total investment amount in 2018 (RMB)	Total investment amount in 2017 (RMB)	Change (%)
12,577,112,494	10,178,152,467	23.57%

### 2. Major Equity Investments Made in the 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	Projected earnings	Return on investment in Reporting	Any legal matter involved	Disclosure date (if any)	Index to disclosed information (if
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				e					date		Period			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>
Guangdong CSOT Industrial Equity Investment Co., Ltd.	G11 UHD New Display Product Line	With monetary capital	2,000,000,000	17.54%	Self-funded	Guangdong Utrust Industrial Investment Fund Partnership	9 years	UHD new displays			-	-	None	3 August 2018	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Total	--	--	9,000,000,000	--	--	--	--	--	--	--	--	--	--	--	--

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

Applicable  Not applicable

### 4. Financial Investments

#### (1) Securities Investments

Security type	Security code	Security name	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 investments 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)	28 April 2018
Disclosure date of general meeting announcement approving derivative investment (if any)	Not applicable
Analysis of risks and control measures associated with derivative investments held in Reporting Period (including but not limited to market risk, liquidity risk, credit risk, operational risk, legal risk, etc.)	<p>In order to effectively manage the exchange and interest rate risks of foreign currency assets, liabilities and cash flows, the Company, after fully analyzing the market trend and predicting the operation (including orders and capital plans), adopts forward foreign exchange contracts, options and interest rate swaps to avoid future exchange rate and interest rate risks. As its business scale changes subsequently, the Company will adjust the exchange rate risk management strategy according to the actual market conditions and business plans.</p> <p>Risk analysis:</p> <ol style="list-style-type: none"> <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</li> </ol>

	<p>actual operating results and budgets;</p> <p>4. Other risks: in the case of specific business operations, if the operator fails to finish the prescribed procedures for report or approval, or fails to record the financial derivative business information accurately, timely and completely, it may result in loss of derivative business or trading opportunities. Moreover, if the trading operator fails to fully understand the terms of transaction contracts or product information, the Group will face the legal risks and transaction losses therefrom.</p> <p>Measures taken for risk control:</p> <p>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;</p> <p>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;</p> <p>3. Relevant departments should track the changes in the open market price or fair value of financial derivatives, timely assess the risk exposure changes of invested financial derivatives, and make reports to the board of directors on business development;</p> <p>4. When the combined impairment of the fair value of derivatives and changes in the value of the assets (if any) used for risk hedging by the Group results in a total loss or floating loss amounting to 10% of the recently audited net assets of the Company, and the absolute amount exceeds RMB10 million, the Group will disclose it in a timely manner.</p>
Changes in market prices or fair value of derivative investments in Reporting Period (fair value analysis should include measurement method and related assumptions and parameters)	With the rapid expansion of overseas sales, the Company keeps following the above rules in the operation of forward foreign exchange contracts, interest rate swap contracts and futures contracts to avoid and hedge foreign exchange risks arising from operation and financing. It saw a gain of RMB52.938 million for the Reporting Period. The fair value of derivatives is determined by real-time quoted price of the foreign exchange market, based on the difference between the contractual price and the forward exchange rate quoted immediately in the foreign exchange market on the balance sheet date.
Major changes in accounting policies	No major changes

and specific accounting principles adopted for derivative investments in Reporting Period compared to last reporting period	
Opinion of independent directors on derivative investments and risk control	<p>In view of the fact that nearly half of the main business of the Company is overseas, a wide range of settlement currencies is involved. The Company reduces exchange losses and locks transaction costs by reasonable financial derivatives, which helps to reduce risk control costs and improve company competitiveness. Risks are effectively controlled as the Company has taken series of measures such as conducting a rigorous internal evaluation for the operation of financial derivatives business, establishing a corresponding regulatory mechanism, formulating reasonable accounting policies and specific accounting principles, setting limits for risk exposure management, and operating simple financial derivatives. The contracting agent for financial derivatives business of the Company is a sound financial agent with good credit standing.</p> <p>The independent directors believe that the financial derivatives transactions carried out by the Company in 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>

### Positions of derivative investments at the period-end:

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	25,316,330	860,700	52,938	415.9	14.1
2. Interest rate swaps	4,168,820	83,380	4,653,250	139,600		76.4	2.3
3. Currency swaps	1,633,550	31,840	3,115,890	155,790		51.2	2.6
Total	26,171,740	812,380	33,085,470	1,156,090	52,938	543.5	19

## 5. Use of Funds Raised

### (1) General Information about the Use of Raised Funds

Unit: RMB'000

Year of raising	Way of raising	Total amount	Used in the	Cumulatively used	Amount with	Cumulative amount	Cumulative amount	Unused amount	Purpose and	Amount being idle
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		raised	Current Period		changed use in the Reporting Period	with changed use	with changed use as % of total amount raised		whereabout s of the unused amount	for more than two years
2018	Public offering to qualified investors	3,000,000	3,000,000	3,000,000	-	-	-	-	-	-
Total	--	3,000,000	3,000,000	3,000,000	-	-	-	-	--	-
Remark										
During the Reporting Period, TCL Corporation raised a total of RMB3 billion through the Corporate Bonds Publicly Offered in 2018 to Qualified Investors (Phase 1) and (Phase 2), which was used up for supplementing the working capital and repaying loans.										

## (2) Promised Use of Raised Funds

Applicable  Not applicable

## (3) Changed Use of Raised Funds

Applicable  Not applicable

## VI Sale of Major Assets and Equity Interests

### 1. Sale of Major Assets

Transac tion party	Asset sold	Date of sale	Transac tion price (RMB' 000)	Net profit contrib uted to the Compa ny from the period- begin to the date of sale (RMB' 000)	Effect on the Compa ny (see note 3)	Ratio of the net profit contrib uted by the sale of the asset to the Compa ny's total profit (%)	Pricing principl e	Related -party transact ion or not	Relatio nship between the transact ion party and the Compa ny (applica ble for related- party transact ions)	Owners hip of the asset involve d has been all transfer red or not	Credito r's rights and liabiliti es involve d have been all transfer red or not	Execute d as schedul ed or not; if not, give reasons and measur es taken	Disclos ure date	Index to disclose d informa tion
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TCL Industries Holdings (Guangdong) Inc.	100% interest of TCL Industries, 100% interest of TCL Household Electric Appliances, 100% interest of Hefei Home Appliances, 56.50% interest in Cool Friends Technology, 100% interest of Koyoo Online Service, 100% interest of TCL Technology Park, 75% interest in JDH, and 36.00% interest	7 January 2019	4,760,000.00	-	The Company sold the intelligent terminal (consumer electronics, home appliances, etc.) and supporting businesses in this deal for restructuring. Upon the deal, the Company's diversified businesses structure will be simplified to focus on the semiconductor	The deal is priced upon friendly negotiation of the transaction parties according to the assessed value of the target assets.	Yes	As Mr. Li Dongsheng is a director of both TCL Corporation and TCL Holdings, TCL Holdings is considered a related party of TCL Corporation.	Not applicable	Yes			
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	in Getech				display and material business. According to the restructuring arrangements, TCL senior management personnel formerly working in the target companies have resigned. As the target assets were still include in the consolidated financial statements of the Reporti										
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					ng Period, this restruct uring had no impact on the Compa ny's financia l position and operati ng results of the Reporti ng Period.									
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Note: The Proposal on the Review of the Report of TCL Corporation on the Sale of Major Assets & Related-Party Transaction (Draft) and Its Summary, as well as the relevant proposals, were approved at the 13<sup>th</sup> meeting of the 6<sup>th</sup> Board of Directors on 7 December 2018 and later at the First Extraordinary General Meeting of 2019 on 7 January 2019. For details of this restructuring, see the Report of TCL Corporation on the Sale of Major Assets & Related-Party Transaction (Draft), its revised version and other relevant documents disclosed on [www.cninfo.com.cn](http://www.cninfo.com.cn) dated 8 and 22 December 2018, respectively. The restructuring is currently progressing on track. The Board will urge the transaction parties to execute the duties of this restructuring, so as to ensure a smooth implementation of the project and protect shareholder interests.

## 2. Sale of Major Equity Interests

Applicable  Not applicable

## VII Major Subsidiaries

Unit: RMB

Name	Relati onship with the Comp any	Princi pal activit y	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit attributable to the Company as the parent

TCL Electronics Holdings Limited	Subsidiary	Colour TVs	HK\$2.333 billion	23,845,922,677	7,754,133,579	39,098,170,408	970,054,426	801,439,035
Shenzhen Star Optoelectronics Technology Co., Ltd. (as a consolidated group)	Subsidiary	LCD panels	RMB19.822 billion	116,348,577,621	47,689,154,902	27,666,368,029	2,596,202,783	2,215,225,113

## VIII Structured Bodies Controlled by the Company

Applicable  Not applicable

## IX Prospects

2019 is a year of opportunities and challenges. What we are facing currently is profound change in external environment. Setbacks in economic globalization, challenges to multilateralism, shocks in the international financial market, and especially the China-US economic and trade frictions, have an adverse effect on market expectations. Economic performance is generally stable with changes, some of which cause concern. From the perspective of macro environment, China is still facing a complicated and challenging environment for its development with many predictable and unpredictable risks and challenges in the future. At the same time, however, China remains in a stage of important strategic opportunities for its development with adequate resilience, huge potentials and vitality for innovation bursting out continuously. In light of the new challenges and historical opportunities, the country will continue to drive the transformation and upgrading of traditional industries, center around the promotion of the high-quality development of manufacturing industry, reinforce industrial foundation and technical innovation capabilities, advance the integrated development of advanced manufacturing and modern service industries, and accelerate the building of a strong manufacturing country. The development of new growth drivers will make progress rapidly.

Through the reform and reorganization in the previous stages, the semi-conductor display and material business has become the Company's core business. As a representative of national competitiveness in China's semi-conductor display area, it has vast development prospects and huge potentials for growth. As one of the strategic emerging industries prioritized, semi-conductor

display has been listed into the country's "12th Five-Year Plan", "13th Five-Year Plan" and "Outline of the National Program for Long- and Medium-Term Scientific and Technological Development (2006-2020)". Driven by increasing demands in the terminal market, as a big country of manufacturing and consumption at the intelligent terminal, China fully benefits from the general trend of focus shift of global display area by virtue of its advantages in investment, industrial chain and cost. While high-end display products are in short supply with vast market prospects and space, as the fastest growing market with the biggest industrial volume of semi-conductor display, China will usher in the opportunity of standing in the global leading position and driving the industrial development of next-generation semi-conductor display. Semi-conductor display products are widely used in TVs, computers, mobile phones and other terminal devices. With the rapid development of information and intelligence, the display demands and new products and applications targeting commercial, household and mobile application scenarios keep arising; the booming development of industrial control display, commercial display, educational white board, E-sports monitor, tablet, vehicle-mounted and VR/AR products are improving and diversifying the efficiency and user experience of work, entertainment, learning, life and other activities and will bring sustained growth to the display industry.

Through strategic business transformation, the Group has optimized its asset structure and business flows, improved operating efficiency and benefits, as well as increased comprehensive competitiveness and corporate value. The Group is positioned as a technology conglomerate with a prominent core business, clear development strategies, a clear business structure and high operating efficiency. It will further concentrate its resources to increase CSOT's business scale and market competitiveness, so as to strengthen and deepen the semi-conductor display and material industrial chain. It will also explore integration and expansion opportunities in the area of key, high-end and basic information electronic devices.

**To concentrate on the core business and increase the market share and competitiveness of the semi-conductor display and material business**

The Group will concentrate its capital, human and technology resources on the semi-conductor display and material business. On one hand, the Group will take technological capability improvement as the most important strategy in a bid to promote leading products and technologies

in addition to leading efficiency. Through developing the next-generation new display technology and materials, the Group will build up core competitiveness for its high-end products. On the other hand, the Group will continue to give play to the scale advantage of concentrated production lines, as well as improve operating efficiency and various economic indicators. A larger scale and an improved product structure of CSOT will help further promote the Group's position in the industry, in addition to better operating efficiency and profitability.

**To develop products and customers in various application scenarios and promote the horizontal development strategy**

After the Restructuring, the Group becomes an operation platform with the semi-conductor display and material business as the core. It will independently develop new products and applications for a more open market and a wider range of customer needs, so as to further expand its market share. Meanwhile, CSOT will continue to optimize the product and customer structures of the existing display business, while proactively developing products for new application areas such as commercial display, notebook computers and vehicle-mounted display. By focusing on segment markets with high added value, it will beef up business transformation.

**To give play to the advantage of the industrial finance business so as to contribute steadily growing operating results**

The finance and venture capital businesses of the Group provide sufficient resource assurance for the Group's member enterprises and the major partners of the Group's industrial chain. Through domestic and overseas finance licenses covering finance companies, small loans, online loans, factoring, finance leases and asset management, the industrial chain finance business provides various financial services to related enterprises. It helps increase capital utilization efficiency and cut down finance costs under controllable risk. It also uses the surplus capital for more gains. The investment and venture capital business concentrates on the cutting-edge technologies in relation to the core business. In addition to helping build the semi-conductor display and material industrial eco-chain, this business also takes into account venture capital projects with stable earnings. It has successfully invested in a batch of star technology firms. The industrial finance & investment and venture capital business can help concentrate on the core businesses, as well as offset the impact of cyclical swings on the semi-conductor display and material sector.

## To increase investment in basic technology research and development for new competitive edges

The Group will strengthen AI and big data R&D. By setting up R&D centres around the world and introducing global leading talent, the Group will achieve better abilities in algorithm, data and application scenario construction in a fast pace, as well as improve manufacturing efficiency and product application experience. Meanwhile, in the area of intelligent manufacturing and industrial Internet, the Group will keep developing such products and solutions with independent core intellectual properties (IP). It will provide an industrywide advanced industrial Internet platform, build up intelligent, digital and modular management systems, as well as offer intelligent manufacturing solutions for various scenarios.

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

### 1. During the Reporting Period

Date	Way of communication	Type of communication party	Index to main information communicated
17 January 2018	By visit	Institutional investor	www.cninfo.com.cn
31 January 2018	By visit	Institutional investor	www.cninfo.com.cn
5 March 2018	By visit	Institutional investor	www.cninfo.com.cn
13 March 2018	By visit	Institutional investor	www.cninfo.com.cn
22 March 2018	By visit	Institutional investor	www.cninfo.com.cn
3 May 2018	2017 Annual Results Briefing	Institutional investor	www.cninfo.com.cn
7 May 2018	By visit	Institutional investor	www.cninfo.com.cn
10 May 2018	By visit	Institutional investor	www.cninfo.com.cn
17 May 2018	By visit	Institutional investor	www.cninfo.com.cn
24 May 2018	By visit	Institutional investor	www.cninfo.com.cn
29 May 2018	By visit	Individual investor	www.cninfo.com.cn
29 May 2018	By visit	Institutional investor	www.cninfo.com.cn
5 June 2018	By visit	Institutional investor	www.cninfo.com.cn
6 July 2018	By visit	Institutional investor	www.cninfo.com.cn
18 July 2018	By visit	Institutional investor	www.cninfo.com.cn

27 July 2018	By visit	Institutional investor	www.cninfo.com.cn
27 July 2018	By visit	Institutional investor	www.cninfo.com.cn
29 August 2018	2018 Interim Results Briefing	Institutional investor	www.cninfo.com.cn
30 October 2018	By visit	Institutional investor	www.cninfo.com.cn
31 October 2018	By visit	Institutional investor	www.cninfo.com.cn
31 October 2018	By visit	Institutional investor	www.cninfo.com.cn
7 November 2018	By visit	Institutional investor	www.cninfo.com.cn

Times of communications	22
Number of institutions communicated with	289
Number of individuals communicated with	8
Number of other communication parties	0
Tip-offs or leakages of substantial supposedly-confidential information during communications	None

## Part V Significant Events

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

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

The 2016 annual equity distribution plan: based on the share capital of 12,213,681,742 shares on 27 April 2017, a cash dividend of RMB0.8 (tax inclusive) per 10 shares was to be distributed to the shareholders, totaling RMB977,094,539.36. The retained earnings will carry forward for future distribution. Meanwhile, there was no bonus issue from either profit or capital reserves for the year.

The 2017 annual equity distribution plan: based on the share capital of 13,514,972,063 shares on 27 April 2018 (plus the reserved restricted shares for distribution, a total of 13,550,916,063 shares), a cash dividend of RMB1 (tax inclusive) per 10 shares was to be distributed to the shareholders, totaling RMB1,355,091,606.3. The retained earnings will carry forward for future distribution. Meanwhile, there was no bonus issue from either profit or capital reserves for the year.

The 2018 annual equity distribution plan: based on the share capital of 13,402,888,507 shares on 19 March 2019 that are eligible for profit distribution (the total share capital of 13,549,648,507 shares minus the 146,760,000 shares in the Company's special securities account for repurchase that are not eligible for profit distribution), a cash dividend of RMB1 (tax inclusive) per 10 shares is to be distributed to the shareholders, totaling RMB1,340,288,851. The retained earnings of RMB7,628,922,531 will carry forward for future distribution. Meanwhile, there will be no bonus issue from either profit or capital reserves for the year under review.



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

Unit: RMB

Year	Cash dividends (tax inclusive) (A)	Net profit attributable to ordinary shareholders of the listed company in consolidated statements for the year (B)	A as % of B (%)	Cash dividends in other forms (such as share repurchase) (C)	C as % of B (%)
2018	1,340,288,851	3,468,207,405	38.65%	-	-
2017	1,355,091,606.3	2,664,396,006	50.86%	-	-
2016	977,094,539.36	1,602,125,331.00	61.00%	-	-

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

Applicable  Not applicable

## II Final Dividend Plan for the Reporting Period

Bonus issue from profit (share/10 shares)	0
Cash dividend/10 shares (RMB) (tax inclusive)	1.00
Bonus issue from capital reserves (share/10 shares)	0
Share base (share)	13,402,888,507
Total cash dividends (RMB) (tax inclusive)	1,340,288,851
Distributable profits (RMB)	8,969,211,382
Cash dividends as % of total profits to be distributed (%)	100%
<b>Cash dividend plan</b>	
Based on the share capital of 13,402,888,507 shares on 19 March 2019 that are eligible for profit distribution (the total share capital of 13,549,648,507 shares minus the 146,760,000 shares in the Company's special securities account for repurchase that are not eligible for profit distribution), a cash dividend of RMB1 (tax inclusive) per 10 shares is to be distributed to the shareholders, totaling RMB1,340,288,851.	
<b>Cash and/or stock dividend plan in detail</b>	
Based on the share capital of 13,402,888,507 shares on 19 March 2019 that are eligible for profit distribution (the total share capital of 13,549,648,507 shares minus the 146,760,000 shares in the Company's special securities account for repurchase that are not	

eligible for profit distribution), a cash dividend of RMB1 (tax inclusive) per 10 shares is to be distributed to the shareholders, totaling RMB1,340,288,851.

### III Fulfillment of Commitments

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

Commitment	Promisor	Type of commitment	Details of commitment	Date of commitment making	Term of commitment	Fulfillment
Commitments made in major asset restructuring	Li Dongsheng, Jiutian Liancheng and Donging Huarui	Abolition	<p>1. Before and after this transaction, I/we as an enterprise or our controlled enterprises shall have no horizontal competition with the principal activities of TCL Corporation or its subsidiaries.</p> <p>2. After this transaction, I/we as an enterprise shall take active measures to avoid carrying out business activities that are or may be in competition with the principal activities of TCL Corporation or its subsidiaries, and shall urge our controlled enterprises to do so.</p> <p>3. In the event that I/we as an enterprise or any enterprise controlled by me/us as an enterprise obtains an opportunity for a new business, which constitutes or may constitute horizontal competition with the main business of TCL Corporation or any of its affiliates, I/we as an enterprise will make maximum efforts to drive the business opportunity to be provided to TCL Corporation or its affiliate on reasonable and fair terms and conditions in favor of the interests of TCL Corporation under the permission of conditions.</p> <p>4. If due to the investment needs of me/us as an enterprise or the business development of TCL</p>	7 December 2018	During the period when being the biggest shareholder of TCL Corporation	No violations

		<p>Corporation, the business of me/us as an enterprise or any enterprise controlled by me/us as an enterprise overlaps with that of TCL Corporation, which may constitute horizontal competition, I/we as an enterprise and the enterprise controlled by me/us as an enterprise agree to solve the horizontal competition problem arising thereof within the time limit specified then.</p> <p>5. During the period of being the first majority shareholder of TCL Corporation, the aforementioned commitments are unconditional and irrevocable. I/we as an enterprise will make comprehensive and timely joint compensations in full amount to TCL Corporation for any losses incurred from the violation of the aforementioned commitments.</p>			
	<p>Li Dongsheng, Jiutian Liancheng and Donging Huarui</p>	<p>1. I/we as an enterprise will minimize related-party transactions between me/us as an enterprise as well as any enterprise controlled by me/us as an enterprise and TCL Corporation as well as any of its affiliates.</p> <p>2. In respect of any unavoidable or reasonable related-party transaction, I/we as an enterprise as well as the enterprise controlled by me/us as an enterprise and TCL Corporation as well as its affiliate shall deal with it in accordance with fair market principles and normal commercial conditions, ensure the fairness of related-party transaction prices, perform the decision-making procedures for related-party transactions in accordance with laws, undertake not to make use of the transaction to transfer the funds or profits of TCL Corporation illegally, and undertake not to take advantage of the transaction to infringe upon the legitimate rights and interest of TCL Corporation and its shareholders.</p>	<p>7 December 2018</p>	<p>During the period when being the biggest shareholder of TCL Corporation</p>	<p>No violations</p>

		<p>3. I/we as an enterprise and the enterprises controlled by me/us as an enterprise will not request TCL Corporation or any of its affiliates to offer more favorable conditions than the conditions offered to an independent third party in any fair market transaction.</p> <p>4. During the period of being the first majority shareholder of TCL Corporation, the aforementioned commitments are unconditional and irrevocable. I/we as an enterprise will make comprehensive and timely joint compensations in full amount to TCL Corporation for any losses incurred from the violation of the aforementioned commitments.</p>			
	<p>Li Dongsheng, Jiutian Liancheng and Donging Huarui</p>	<p>Upon the completion of this transaction, I/we as an enterprise will continue to exercise the shareholder's rights in accordance with laws, regulations and the Articles of Incorporation of TCL Corporation and maintain the independence of TCL Corporation in assets, personnel, finance, business and institution. The specific contents are as follows:</p> <p>(I) Commitment to the personnel independence from TCL Corporation</p> <p>I/we as an enterprise undertake to maintain personnel independence from TCL Corporation. General managers, deputy general managers, financial principals, board secretaries and other senior managers of TCL Corporation will not serve in any position other than Director and Supervisor in any enterprise which is a wholly-owned or holding subsidiary of me/us as an enterprise or any other subsidiary over which I/we as an enterprise has control (hereinafter referred to as "the subsidiaries"). They will not be paid salaries in the subsidiaries of me/us as an enterprise. The financial personnel of TCL</p>	<p>7 December 2018</p>	<p>During the period when being the biggest shareholder of TCL Corporation</p>	<p>No violations</p>

		<p>Corporation will not work in the subsidiaries of me/us as an enterprise on a part-time basis.</p> <p>(II) Commitment to the asset independence and completeness of TCL Corporation</p> <p>1. I/we as an enterprise undertake that TCL Corporation has independent and complete assets.</p> <p>2. I/we as an enterprise undertake that TCL Corporation has no funds or assets misappropriated by me/us as an enterprise or the subsidiaries of me/us as an enterprise.</p> <p>(III) Commitment to the financial independence of TCL Corporation</p> <p>1. I/we as an enterprise undertake that TCL Corporation establishes an independent finance department and an independent financial accounting system.</p> <p>2. I/we as an enterprise undertake that TCL Corporation has standard and independent financial accounting policies.</p> <p>3. I/we as an enterprise undertake that TCL Corporation opens accounts independently in the bank without sharing any bank account with me/us as an enterprise.</p> <p>4. I/we as an enterprise undertake that the financial personnel of TCL Corporation not work in the subsidiaries of me/us as an enterprise on a part-time basis.</p> <p>5. I/we as an enterprise undertake that TCL Corporation is able to make financial decisions independently and that I/we as an enterprise not intervene in the fund use of TCL Corporation.</p> <p>(IV) Commitment to the institutional independence of TCL Corporation</p> <p>1. I/we as an enterprise undertake that TCL Corporation has an independent and complete organizational institution</p>			
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		<p>and run it independently and autonomously.</p> <p>2. I/we as an enterprise undertake that the office institutions and production and operation places of TCL Corporation are separate from my subsidiaries/us as an enterprise.</p> <p>3. I/we as an enterprise undertake that the Board of Directors, Board of Supervisors and functional departments of TCL Corporation are operated independently without any affiliation with the functional department of us as an enterprise.</p> <p>(V) Commitment to the business independence from TCL Corporation</p> <p>1. I/we as an enterprise undertake to maintain business independence from the TCL Corporation after this transaction.</p> <p>2. I/we as an enterprise undertake that TCL Corporation has the assets, personnel, qualifications and capabilities for independent performance of operating activities and the capabilities for autonomous operation targeting market.</p> <p>I/we as an enterprise or the subsidiaries of me/us as an enterprise will make bear the corresponding compensation liabilities in accordance with laws for any losses incurred to TCL Corporation due to the violation of the commitments under the commitment letter.</p>			
<p>Commitments made in asset purchase via share offering</p>	<p>Hubei Changjiang Hezhi Hanyi Equity Investment Fund Partnership (Limited Partnership)</p>	<p>Ab ut shar e tradi ng restr ictio ns</p> <p>We agree not to transfer the shares that we subscribe for within 12 months since the end of TCL’s asset purchase via share offering (25 December 2017).</p>	<p>25 December 2017</p>	<p>25 December 2018</p>	<p>No violations</p>
	<p>Star Century Enterprises Limited; Linzhou Xinglan</p>	<p>Ab ut shar</p> <p>We agree not to transfer the shares that we subscribe for within 36 months since the</p>	<p>25 December 2017</p>	<p>25 December 2020</p>	<p>No violations</p>

	<p>Venture Investment Management Partnership (Limited Partnership); Linzhou Xingyong Venture Investment Management Partnership (Limited Partnership); Linzhou Xingyuan Venture Investment Management Partnership (Limited Partnership); and Linzhou Xinglian Venture Investment Management Partnership (Limited Partnership)</p>	<p>end of TCL's asset purchase via share offering (25 December 2017).</p>				
	<p>Li Dongsheng</p>	<p>About horizontal competition between the companies, enterprises or other business organizations that I own, control, control with others, have significant influence on and TCL Corporation with its subsidiaries; and 2) I shall reduce and control related-parties transactions between the companies, enterprises or other business organizations that I own, control, control with others, have significant influence on and TCL Corporation with its subsidiaries.</p>	<p>1) I shall avoid horizontal competition between the companies, enterprises or other business organizations that I own, control, control with others, have significant influence on and TCL Corporation with its subsidiaries; and 2) I shall reduce and control related-parties transactions between the companies, enterprises or other business organizations that I own, control, control with others, have significant influence on and TCL Corporation with its subsidiaries.</p>	<p>30 August 2013</p>	<p>During the period when being TCL Corporation's director, supervisor or senior management</p>	<p>No violations</p>
	<p>Li Dongsheng; Bo Lianming; Liao Qian; Huang Xubin; Yan Xiaolin and Shi</p>	<p>About horizontal short-swing trading, insider trading and changes in the</p>	<p>I will comply with obligations specified in the management regulations for short-swing trading, insider trading and changes in the</p>	<p>4 February 2015</p>	<p>Long-standing</p>	<p>No violations</p>

	Wanwen	com petit ion, relat ed-p arty trans actio n and capit al occu patio n	shareholding of senior management; I agree to have me and the partnership enterprise recognized as persons acting in concert and have the number of shares I hold of TCL Corporation and that the partnership enterprise holds of TCL Corporation calculated in consolidation in accordance with the provisions of related regulations such as Article 83 of the Management Measures on the Acquisition of Listed Companies and the Articles of Incorporation when the related parties perform their legal obligations of information disclosure on major equity changes and tender offer.			
	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.; CDB Jingcheng (Beijing) Investment Fund Co., Ltd.; CDB	Abo ut shar e tradi ng restr ictio ns	We agree not to transfer the shares that we subscribe for within 36 months since the end of TCL's asset purchase via share offering (25 December 2017).	26 February 2015	25 February 2018	No violations



	<p>Equipment Manufacturing Industrial Investment Fund Co., Ltd.; CITIC Capital (Tianjin) Equity Investment Partnership (LLP); and Tianjin Chengbai Investment Fund Center</p>				
<p>Other commitments</p>	<p>The Company</p>	<p>The Company undertakes to TCL Multimedia that: The Company and its subsidiaries (other than TCL Multimedia and its subsidiaries) will not engage in the manufacturing, assembly and distribution of TV sets (“restricted businesses”) and will engage in the R&amp;D, manufacturing and sales of audio and video products (excluding TV sets) (“related businesses”) which are not restricted businesses, provided that the party making the commitment or any party therein runs or engages in related businesses through equity investment in Tonly Electronics. The distribution and maintenance of TV sets and the manufacturing, assembly, distribution and maintenance of information technology products related to Internet from time to time will no longer be included in the scope of restricted businesses. The termination</p>	<p>16 June 2014</p>	<p>Long-standing</p>	<p>No violations</p>

			condition is that the total equity which TCL Multimedia and its subsidiaries hold of Cool Friends Technology is less than 15%.			
	Li Dongsheng; Xinjiang Jiutian Liancheng Equity Investment Partnership (Limited Partnership)	Ab ut not redu cing shar ehol ding s in the Com pany	I/We as an enterprise shall not reduce our shareholdings in the Company within 12 months since 19 June 2018.	19 June 2018	19 June 2019	No violations
Fulfilled on time	Yes					
Specific reasons for failing to fulfill commitments on time and plans for next step	Not applicable					

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

Applicable  Not applicable

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

Applicable  Not applicable

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

Applicable  Not applicable

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

Applicable  Not applicable

## VI YoY Changes to Accounting Policies, Estimates and Methods

Applicable  Not applicable

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

No such cases in the Reporting Period.

## VIII YoY Changes to the Scope of the Consolidated Financial Statements

Applicable  Not applicable

## IX Engagement and Disengagement of Independent Auditor

Current independent auditor:

Name of the domestic independent auditor	Da Hua Certified Public Accountants (Special General Partnership)
The Company's payment to the domestic independent auditor (RMB'000)	4,050
How many consecutive years the domestic independent auditor has provided audit service for the Company	11
Names of the certified public accountants from the domestic independent auditor writing signatures on the auditor's report	Zhang Yuanyuan and Li Bingxin
How many consecutive years the certified public accountants have provided audit service for the Company	Four and five years

Note: The service years start from the day when the first audit agreement is signed between the audit firm and the Company.

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

Yes  No

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

Yes  No

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

Applicable  Not applicable

## XI Insolvency and Reorganization

Applicable  Not applicable

## **XII Major Legal Matters**

Applicable  Not applicable

## **XIII Punishments and Rectifications**

Applicable  Not applicable

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

Applicable  Not applicable

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

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.

## XVI 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 transactions	Approved transaction line (RMB'000)	Over the approved line or not	Method of settlement	Obtainable market price for same-type transactions	Disclosure date	Index to disclosed information
Bank of Shanghai Co., Ltd.	A legal person of the Company's director	Banking services	Routine services and other financial services, including deposits, of loans, financials, 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	-	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>

				same period, nor shall it be lower or higher than the interest rate of the Bank of Shanghai for any third-party same-kind deposit for the same period.									
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		80,890	1.34%	200,000	Not		Not applicable	28 April 2018	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
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 market prices	--	1,275,462	92.92%	1450,000	Not		Not applicable	28 April 2018	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Total					--	1,365,661.3	--	2,364,000	--	--	--	--	--
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 any significant difference between the transaction price and the market reference price (if applicable)	Not applicable

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

Applicable  Not applicable

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

Applicable  Not applicable

## 4. Credits and Liabilities with Related Parties

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 2018	Reason for capital occupation	Nature of capital occupation
Active Industries International Limited	Associate	Other receivable	161,795.0		72,913.1	88,881.9	Current account	For operating purposes
Good Vision Limited	Associate	Account receivable	5,453.8		5,453.8		For selling products	For operating purposes
Good Vision Limited	Associate	Other receivable		5,722.2	-	5,722.2	Current account	For operating purposes
Harvey Holdings Limited	Associate	Account receivable	43.7		43.7		Current account	For operating purposes
Harvey Holdings Limited	Associate	Interest receivable	2,411.4	2,541.3	-	4,952.7	Current account	For operating purposes
Harvey Holdings Limited	Associate	Other receivable	42,353.2		8,981.5	33,371.7	Current account	For operating purposes



KAIOSTECH NOLOGIESI NC	Associate	Other receivable	43,988.0	23,224.9	54,397.3	12,815.6	Current account	For operating purposes
T2MobileInte rnationalLimit ed	Joint venture	Account receivable	15,364.8	30,997.4	-	46,362.2	For selling products	For operating purposes
T2MobileInte rnationalLimit ed	Joint venture	Other receivable		5.9	-	5.9	Current account	For operating purposes
Palm Venture Group	Associate	Account receivable		18,582.4	-	18,582.4	Current account	For operating purposes
Palm Venture Group	Associate	Other receivable		12,266.3	-	12,266.3	Current account	For operating purposes
TCL Sun, Inc.	Joint venture	Account receivable	73,999.0	26,312.6	20,639.8	79,671.8	For selling products	For operating purposes
TCL Zhiyi Technology Huizhou Co., Ltd.	Joint venture	Account receivable	6,764.1	11,156.0	16,440.7	1,479.4	For selling products	For operating purposes
Beijing National Center for Open & Distance Education Co., Ltd.	Joint venture's subsidiary	Account receivable	97.5	4.0	-	101.5	For selling products	For operating purposes
Beijing WeMed Medical Equipment Co., Ltd.	Associate	Other receivable	3,776.6		3,776.6		For selling products	For operating purposes
Wealthy Way Group Limited	Associate	Other receivable		88.5	10.9	77.6	Current account	For operating purposes
Guangdong Regency Optics-Electro n Corp.	Associate	Other receivable	184.0	5,675.0	5,859.0		Current account	For operating purposes

Huan Tech Co., Ltd.	Associate	Other receivable	2.7	19.7	-	22.4	Current account	For operating purposes
Huan Tech Co., Ltd.	Associate	Account receivable	565.8		135.8	430.0	For selling products	For operating purposes
Honpe Technology (Shenzhen) Co., Ltd.	Associate's subsidiary	Prepayment	1,056.9		1,056.9		Current account	For operating purposes
China Merchants Real Estate (Pingshan, Shenzhen) Co., Ltd.	Associate	Other receivable		995,841.4	848,804.0	147,037.4	Current account	For operating purposes
Huizhou TCL Real Estate Development Co., Ltd.	Associate's subsidiary	Account receivable	241.6		235.2	6.4	For selling products	For operating purposes
Huizhou Gaoshengda Technology Co., Ltd.	Associate's subsidiary	Interest receivable		34.4	-	34.4	Current account	For operating purposes
LG Innotek Huizhou Co., Ltd.	Associate	Other receivable		9.7	-	9.7	Current account	For operating purposes
LG Innotek Huizhou Co., Ltd.	Associate	Account receivable	10,704.8		10,704.8		For selling products	For operating purposes
LE SHI ZHI XIN Electronic & Technology Co., Ltd.	Key subsidiary's minority shareholder	Account receivable		23,975.0	20,533.4	3,441.6	For selling products	For operating purposes
LE SHI ZHI XIN Electronic & Technology Co., Ltd.	Key subsidiary's minority shareholder	Prepayment	2,127.5		2,109.8	17.7	For selling products	For operating purposes
LE SHI ZHI	Key	Notes	607.3		607.3		For selling	For

XIN Electronic & Technology Co., Ltd.	subsidiary's minority shareholder	receivable					products	operating purposes
LE SHI ZHI XIN Electronic & Technology Co., Ltd.	Key subsidiary's minority shareholder	Other receivable	800.0		-	800.0	Current account	For operating purposes
Nanjing Zijin Chuangdong Investment Partnership (Limited Partnership)	Associate	Other receivable		296.4	-	296.4	Current account	For operating purposes
Qihang Import&Export Limited	Associate's subsidiary	Account receivable	162,962.9	560,945.9	673,685.4	50,223.4	For selling products	For operating purposes
Qihang Import&Export Limited	Associate's subsidiary	Interest receivable		78.2	-	78.2	Current account	For operating purposes
Saipwell TCL Electronics Industrial Technology Co., Ltd.	Associate	Other receivable		236,839.4	-	236,839.4	Current account	For operating purposes
Saipwell TCL Electronics Industrial Technology Co., Ltd.	Associate	Dividend receivable	88.0	4.5	-	92.5	Dividend distribution	For operating purposes
Saipwell TCL Electronics Industrial Technology Co., Ltd.	Associate	Account receivable	167,673.8	5,977.1	-	173,650.9	For selling products	For operating purposes
T2 Mobile (Shanghai) Limited	Associate's subsidiary	Other receivable	3,676.0		3,676.0		Current account	For operating purposes
T2 Mobile (Shanghai)	Associate's subsidiary	Prepayment	1,784.4	1,130.3	1,784.4	1,130.3	For selling products	For operating

Limited								purposes
T2 Mobile (Shanghai) Limited	Associate's subsidiary	Account receivable	404.0	2,370.1	-	2,774.1	For selling products	For operating purposes
Shanghai Chuangxiang Venture Capital Partnership (Limited Partnership)	Associate	Other receivable	2,180.0		2,180.0		Current account	For operating purposes
Shenzhen Jucai Supply Chain Technology Co., Ltd.	Associate	Other receivable		5,079.8	1,721.7	3,358.1	Current account	For operating purposes
Shenzhen Jucai Supply Chain Technology Co., Ltd.	Associate	Prepayment		492.1	462.6	29.5	For selling products	For operating purposes
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	Associate	Account receivable	299,867.2	51,388.1	215,206.4	136,048.9	For selling products	For operating purposes
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	Associate	Other receivable	49,500.0	58.2	27,466.6	22,091.6	Current account	For operating purposes
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	Associate	Prepayment	22,693.2		22,693.2		For selling products	For operating purposes
Canyon Circuit Technology	Associate	Interest receivable		17.9	-	17.9	Current account	For operating purposes

(Huizhou) Co., Ltd.									
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	Associate	Interest receivable	77.0		5.6	71.4	Current account	For operating purposes	
Shenzhen Jiutian Matrix Investment Management Co., Ltd.	Associate	Other receivable		1.9	-	1.9	Current account	For operating purposes	
Shenzhen Thunderbird Network Media Co., Ltd.	Associate's subsidiary	Other receivable	694.8	1,546.6	1,990.3	251.1	For selling products	For operating purposes	
Shenzhen Thunderbird Network Media Co., Ltd.	Associate's subsidiary	Account receivable	69.9	290.7	360.6		For selling products	For operating purposes	
Shenzhen Thunderbird Network Technology Co.	Associate	Other receivable	545.0	259.6	804.6		For selling products	For operating purposes	
Shenzhen Thunderbird Information Technology Co., Ltd.	Associate's subsidiary	Other receivable	762.1	17.0	779.1		For selling products	For operating purposes	
Shenzhen Thunderbird Smart Products Co., Ltd.	Associate's subsidiary	Other receivable	35.9	1,852.1	39.5	1,848.5	For selling products	For operating purposes	
Shenzhen Thunderbird Smart Products Co.,	Associate's subsidiary	Account receivable	3,809.9	8,702.8	-	12,512.7	For selling products	For operating purposes	

Ltd.								
CJ Speedex Logistics Co., Ltd.	Joint venture	Prepayment	1,760.1	1,419.1	1,421.0	1,758.2	Current account	For operating purposes
TV University Online Distance Education Technology Co., Ltd.	Associate	Dividend receivable		47,656.0	-	47,656.0	Dividend distribution	For operating purposes
Tianjin 712 Communication & Broadcasting Co., Ltd.	Associate	Other receivable	5.7		5.7		Current account	For operating purposes
Wuhan Lesheng Times Trading Co., Ltd.	Associate's subsidiary	Other receivable		8,000.0	-	8,000.0	Current account	For operating purposes
Xinjiang Dongpeng Weichuang Equity Investment Partnership (Limited Partnership)	Associate	Dividend receivable	11,015.0		11,015.0		Dividend distribution	For operating purposes
Xinjiang Dongpeng Weichuang Equity Investment Partnership (Limited Partnership)	Associate	Other receivable	40,300.0		40,300.0		Current account	For operating purposes
Hubei Changjiang Hezhi Equity Investment Fund Partnership (Limited	Associate	Other receivable		7,844.9	-	7,844.9	Current account	For operating purposes

Partnership)								
Changzhou Chuangdong Fund Management Co., Ltd.	Associate	Other receivable		2.3	-	2.3	Current account	For operating purposes
Shenzhen Tixiang Enterprise Management Technology Co., Ltd.	Associate	Other receivable		340.6	-	340.6	Current account	For operating purposes
Shenzhen Changcheng Commercial Technology Property Service Co., Ltd.	Associate	Other receivable		20.5	-	20.5	Current account	For operating purposes
Xionghua Investment Co., Ltd.	Associate's subsidiary	Other receivable	16.6	0.8		17.4	Current account	For operating purposes
<b>Total</b>			1,142,259.2	2,099,089.6	2,078,301.3	1,163,047.5		

## 5. Other Major Related-Party Transactions

No such cases in the Reporting Period.

## XVII Major Contracts and Execution thereof

### 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 and its subsidiaries for external parties (exclusive of those for subsidiaries)								
Obligor	Disclosure date of the guarantee line announcement	Line of guarantee	Actual occurrence date (date of agreement signing)	Actual guarantee amount	Type of guarantee	Term of guarantee	Having expired or not	Guarantee for a related party or not
Canyon Circuit Technology (Huizhou) Co., Ltd.	2018/10/30	50,000	2018/7/11	39,352	Joint-liability	30—208 days	Not	Yes
Huizhou Shenghua Industrial Co., Ltd.		90,000	2018/7/3	86,250	Joint-liability	61—338 days	Not	Not
Taiyang Electro-optic (Huizhou) Co., Ltd.		40,000	2018/7/10	26,100	Joint-liability	112—184 days	Not	Not
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.		1,100,000	2018/3/27	625,936.6	Joint-liability	62-365 days	Not	Not
Qihang Import&Export Limited		300,000	2018/7/31	245,364.0	Joint-liability	365-365 days	Not	Not
Huizhou Gaoshengda Technology Co., Ltd.		90,000	2018/7/26	67,190	Joint-liability	60—210 days	Not	Not
Total approved line for such guarantees in Reporting Period (A1)		1,670,000		Total actual amount of such guarantees in Reporting Period (A2)			1,453,260	



Total approved line for such guarantees at end of Reporting Period (A3)		1,670,000		Total actual balance of such guarantees at end of Reporting Period (A4)		1,090,190		
Guarantees provided by the Company as the parent for its subsidiaries								
Obligor	Disclose date of the guarantee line announcement	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 a related party or not
TCL King Electrical Appliances (Huizhou) Co., Ltd.	2018-10-30	3,450,000	2018/4/28	1,603,140	Joint-liability	22—311 days	Not	Not
TCL Overseas Electronics (Huizhou) Ltd.		1,200,000	2018/6/29	802,690	Joint-liability	52—360 days	Not	Not
TCL King Electrical Appliances (Chengdu) Co., Ltd.		600,000	2018/6/5	179,200	Joint-liability	170—587 days	Not	Not
Huizhou TCL Mobile Communication Co., Ltd.		4,500,000	2018/7/25	2,443,960	Joint-liability	1—365 days	Not	Not
TCL Communication Technology Holdings Limited		1,200,000	2017/1/20	1,120,350	Joint-liability	1-3 years	Not	Not
TCL Mobile Communication (HK) Company Limited		2,485,000	2018/9/5	661,610	Joint-liability	62—186 days	Not	Not
TCT Mobile Overseas Limited		66,250	2018/8/29	13,730	Joint-liability	365 days	Not	Not
TCT Mobile (US) Inc.		845,000	-	-	Joint-liability	-	Not	Not
TCT Mobile International Limited		310,000	2018/8/29	20,590	Joint-liability	365 days	Not	Not
TCT Mobile Italy S.R.L		16,000	2018/0	11,750	Joint-liability	90—180 days	Not	Not

		4/19					
TCT MOBILE - TELEFONES LTDA.	120,000	2018/5/31	108,010	Joint-liability	365 days	Not	Not
Wuhan China Star Optoelectronics Technology Co., Ltd.	7,500,000	2016/4/13	4,226,530	Joint-liability	20—96 month	Not	Not
Shenzhen China Star Optoelectronics Semiconductor Display Technology Co., Ltd.-note (1)	21,500,000	2017/3/31	12,875,130	Joint-liability	2—96 month	Not	Not
Shenzhen China Star Optoelectronics Technology Co., Ltd.	6,000,000	2015/3/10	3,905,980	Joint-liability	38 days—96 months	Not	Not
Wuhan China Star Optoelectronics Semiconductor Display Technology Co., Ltd.	11,600,000	2017/9/29	5,124,570	Joint-liability	3—96 months	Not	Not
Huizhou China Star Optoelectronics Technology Co., Ltd.	5,000,000	2018/3/9	120,410	Joint-liability	3—13 months	Not	Not
China Star Optoelectronics International (HK) Limited	2,600,000	2018/1/8	310,210	Joint-liability	24 months	Not	Not
China Display Optoelectronics Technology (Huizhou) Co., Ltd.	1,500,000	2018/6/15	469,830	Joint-liability	33 days—12 months	Not	Not
Wuhan China Display Optoelectronics Technology Co., Ltd.	300,000	2018/1/22	10,740	Joint-liability	1—6 months	Not	Not
Guangdong Juhua Printed Display Technology Co., Ltd.	300,000	2017/1/22	10,410	Joint-liability	6—144 months	Not	Not
TCL Home Appliances (Hefei) Co., Ltd.	1,400,000	2017/9/28	884,990	Joint-liability	1—459 days	Not	Not
TCL Home Appliances (Zhongshan) Co., Ltd.	160,000	2018/6/19	125,610	Joint-liability	1—238 days	Not	Not
TCL Air-Conditioner (Zhongshan) Co., Ltd.	1,586,000	2016/9/9	1,101,100	Joint-liability	1—843 days	Not	Not
TCL Air Conditioner (Wuhan) Co., Ltd.	1,316,000	2018/6		Joint-li	1—234	Not	Not

	00	/25	1,039,240	ability	days		
Zhongshan TCL Refrigeration Equipment Co., Ltd.	753,000	2018/7/26	272,570	Joint-liability	1—213 days	Not	Not
Guangdong TCL Smart Heating & Ventilation Equipment Co., Ltd.	70,000	2018/7/27	57,780	Joint-liability	91—208 days	Not	Not
TCL Home Appliances (Huizhou) Co., Ltd.	115,000	2018/10/6	19,590	Joint-liability	1—118 days	Not	Not
TCL Intelligent Technology (Hefei) Co., Ltd.	8,000	2018/1/3	4,210	Joint-liability	1—150 days	Not	Not
TCL Air-Conditioner (Jiujiang) Co., Ltd.	250,000	2018/7/4	122,690	Joint-liability	1—208 days	Not	Not
TCL Home Appliances (Hong Kong) Limited	200,000	-	-	Joint-liability	-	Not	Not
Shenzhen TCL Hangxiang Supply Chain Service Co., Ltd.	5,000	-	-	Joint-liability	-	Not	Not
Zhongshan Hhappy Tree Network Technology Co., Ltd.	20,000	2018/12/6	760	Joint-liability	30—181 days	Not	Not
TCL Tonly Electronics (Huizhou) Co., Ltd.	400,000	2016/1/4	244,830	Joint-liability	4 days—48 months	Not	Not
TCL Commercial Information Technology (Huizhou) Co., Ltd.	140,000	2018/9/20	56,320	Joint-liability	87—268 days	Not	Not
Huizhou TCL Light Electrical Appliances Co., Ltd.	55,000	2018/7/12	18,370	Joint-liability	90—182 days	Not	Not
Huizhou VERY Light Source Technology Co., Ltd.	40,000	2018/8/28	46,810	Joint-liability	5—240 days	Not	Not
TCL Finance Co., Ltd.	1,500,000	-	-	Joint-liability	-	Not	Not
TCL Capital (Hong Kong) Limited	1,000,000	-	-	Joint-liability	-	Not	Not
TCL Commercial Factoring (Shenzhen) Co., Ltd.	500,000	-	-	Joint-liability	-	Not	Not
Huizhou Zhongkai TCL Zhirong Technology Microcredit Co., Ltd.	500,000	2018/10/10	9,500	Joint-liability	12—12 months	Not	Not
Guangzhou TCL Internet Microcredit Co., Ltd.	500,000	-	-	Joint-liability	-	Not	Not
Highly Information Industry Co., Ltd.	3,000,000	2016/6	1,520,000	Joint-li	1—36	Not	Not

	00	/23	00	ability	months		
Beijing Hecheng Nuoxin Technology Co., Ltd.	200,000	2018/1/1	190,000	Joint-liability	12—36 months	Not	Not
Beijing Lingyun Data Technology Co., Ltd.	350,000	2017/6/1	274,470	Joint-liability	1—15 months	Not	Not
Beijing Sunpiestore Technology Co., Ltd.	500,000	2012/6/1	340,000	Joint-liability	12—79 months	Not	Not
Shaanxi Titi Electronic Technology Co., Ltd.	30,000	-	-	Joint-liability	-	Not	Not
Huizhou Cool Friends Network Technology Co., Ltd.	130,000	2018/10/30	93,000	Joint-liability	7 days—12 months	Not	Not
SHIFENDAOJIA Online Service Co., Ltd.	30,000	2018/8/16	29,950	Joint-liability	1—6 months	Not	Not
TCL Technology Park (Huizhou) Co., Ltd.	2,000,000	-	-	Joint-liability	-	Not	Not
TCL Technology Park Co., Ltd.	270,000	-	-	Joint-liability	-	Not	Not
Guangzhou Yunsheng Tianji Technology Co., Ltd.	1,100,000	2017/9/28	530,000	Joint-liability	10—12 years	Not	Not
Guangzhou TCL Science and Technology Development Co., Ltd.	2,000,000	2018/12/18	150,000	Joint-liability	13 years	Not	Not
Shenzhen Bao'an TCL Haichuanggu Technology Park Development Co., Ltd.	200,000	2018/9/25	161,440	Joint-liability	3 year	Not	Not
TCL Industries Holdings (HK) Limited	8,000,000	2016/10/4	7,245,760	Joint-liability	1—5 years	Not	Not
Huizhou TCL Environment Technology Co., Ltd.	60,000	2018/12/24	9,590	Joint-liability	7 days—365 days	Not	Not
Total approved line for such guarantees in the Reporting Period (B1)	99,480,250		Total actual amount of such guarantees in the Reporting Period (B2)			73,316,890	
Total approved line for such guarantees at the end of the Reporting Period (B3)	99,480,250		Total actual balance of such guarantees at the end of the Reporting Period (B4)			48,567,440	
Guarantees provided between subsidiaries							

Obligor	Disclosure date of the guarantee line announcement	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 a related party or not
-	-	-	-	-	-	-	-	-
Total approved line for such guarantees in the Reporting Period (C1)		-		Total actual amount of such guarantees in the Reporting Period (C2)	-			
Total approved line for such guarantees at the end of the Reporting Period (C3)		-		Total actual balance of such guarantees at the end of the Reporting Period (C4)	-			
Total guarantee amount (total of the three kinds of guarantees above)								
Total guarantee line approved in the Reporting Period (A1+B1+C1)		101,150,250		Total actual guarantee amount in the Reporting Period (A2+B2+C2)	74,770,150			
Total approved guarantee line at the end of the Reporting Period (A3+B3+C3)		101,150,250		Total actual guarantee balance at the end of the	49,657,640			

	Reporti ng Period (A4+B 4+C4)
Total actual guarantee amount (A4+B4+C4) as % of the Company's net assets	162.84%
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 an over 70% debt/asset ratio (E)	21,773,900
Amount by which the total guarantee amount exceeds 50% of the Company's net assets (F)	33,167,810
Total of the three amounts above (D+E+F)	54,941,710
Joint liability possibly borne or already borne in the Reporting Period for outstanding guarantees (if any)	Not applicable
Guarantees provided in breach of prescribed procedures (if any)	Not applicable

## (2) Irregularities in Provision of Guarantees

Applicable  Not applicable

## 3. Cash Entrusted to Other Entities for Management

### (1) Cash Entrusted for Wealth Management

Unit: RMB'000

Type	Source of capital	Amount	Undue amount	Unrecovered overdue amount
Bank's wealth management product	Self-owned capital	9,705,760	200,000	-
Securities firm's wealth management product	Self-owned capital	751,000	21,900	-
Trust wealth management product	Self-owned capital	2,515,000	1,500,000	-
Other	Self-owned capital	1,360,640	907,510	-

Total	14,332,400	2,629,410	-
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High-risk wealth management transactions with a significant single amount, low liquidity and no principal protection:

Applicable  Not applicable

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

Applicable  Not applicable

## (2) Entrusted Loans

Unit: RMB'000

Total amount	Source of capital	Undue amount	Unrecovered overdue amount
70,252.4	Self-owned capital	52,456.0	-

Note: The entrusted loans were primarily provided for the employees of CSOT and its subsidiaries with their self-owned capital to pay the down payment for their first family house under the CSOT Housing Program.

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

Applicable  Not applicable

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

Applicable  Not applicable

## 4. Other Major Contracts

Applicable  Not applicable

## XVIII Corporate Social Responsibility (CSR)

### 1. Measures Taken to Fulfill CSR Commitment

Please refer to The 2018 Annual Corporate Social Responsibility & Sustainable Development Report of TCL Corporation.

### 2. Measures Taken for Targeted Poverty Alleviation

#### (1) Plans

To respond to the "Opinions of the China Securities Regulatory Commission on the Role of Capital Markets in Serving the Country in Poverty Alleviation", the Company has been fulfilling its social responsibilities in poverty alleviation and public service, especially in the field of education poverty alleviation. The "TCL Hope Engineering Candlelight Awards Program" jointly established by CYDF and Shenzhen TCL Public Welfare Foundation in 2013 is one of the earliest public welfare

projects for rural teachers 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 the Related Work Done in the Reporting Period

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

Indicators	Measurement Unit	Quantity/Development
I. Overall summary	—	—
Of which: 1. Cash	RMB'000	5,923.6
II. Investment breakdown	—	—
4. Poverty alleviation by education	—	—
Of which: 4.1 Investment amount in aiding students in poverty	RMB'000	200
4.2 Number of students in poverty who got aid	Person	100
4.3 Investment amount in improvement of educational resources in poverty-stricken areas	RMB'000	5,475.8
8. Poverty alleviation by public programmes	—	—
8.2 Investment amount in targeted	RMB'000	36.8



poverty alleviation		
8.3 Investment amount in public fund for poverty alleviation	RMB'000	211

#### (4) Subsequent Plans

In 2019, Shenzhen TCL Public Welfare Foundation and CYDF have signed another five-year strategic cooperation agreement. Together they will expand the existing award scale and publicity impact of the TCL Hope Engineering Candlelight Awards Program, and improve user interaction on the Internet platform for social concern. Starting from 2019, we will also expand the publicity and 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.

### 3. Issues Related to Environmental Protection

Name of the Company or subsidiary	Major pollutants	Way of discharge	Number of discharge outlets	Distribution of discharge outlets	Discharge concentration (mg/L)	Governing discharge standards (mg/L)	Total discharge (metric ton)	Approved total discharge (metric tons/year)	Excessive discharge
Shenzhen China Star Optoelectronics Technology Co., Ltd. (Phase I)	COD	Discharged after being duly treated in waste water treatment system	1	Northwest of plant	78.5	260	519.12	1226.05	None
	Ammonia nitrogen				3.35	30	22.17	/	
Shenzhen China Star	COD	Discharged after being	1	Artificial wetland to	18.6	30	84.84	174.89	None

Optoelectronics Technology Co., Ltd. (Phase II)	Ammonia nitrogen	duly treated in waste water treatment system and going through artificial wetland system		north of plant	0.33	1.5	1.67	7.7	None
Wuhan China Star Optoelectronics Technology Co., Ltd.	COD	Discharged after being	1	Northwest of plant	8.5-116.20	400mg/L	185.74	353.55	None
	Ammonia nitrogen	duly treated in waste water treatment system			0-4.45	30	18.57	35.36	None
TCL-AOB O Environmental Protection And Development Co., Ltd.	PM	Discharged at high altitude after being	1	Exhaust funnel of physical crushing workshop	4.7	120	0.264	5.76	None
	PM	duly treated in bag dust-cleaning system	1	Exhaust funnel of plastic treatment workshop	2.2	120	0.267	5.76	None
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	20	120	0.844	2.9	None
Huizhou TCL Environment Technology Co., Ltd.	COD	Discharged after being	1	West of plant	23.08	90	0.857	3.996	None
	Ammonia nitrogen	duly treated in waste water treatment system			1.21	10	0.045	0.444	None

### Construction and operation of facilities for preventing pollution:

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

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

meet the standards in a stable manner.

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

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

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

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

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

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

### **Other environment-related information that should be disclosed:**

None.

### **Other relevant information:**

None.

## **XIX Other Significant Events**

On 24 March 2018, the Company disclosed the Announcement on the Establishment of Strategic Investment Funds (announcement No. 2018-029). It intended to, together with Shenzhen China Star Optoelectronics Technology Co., Ltd. and TCL Multimedia Technology Holdings Limited, establish an overseas M&A fund of a target scale of approximately US\$75 million and a domestic M&A fund of a RMB201 million scale. So far, the domestic M&A fund has been registered with the industrial and commercial administration, received the business license and been filed with the Asset

Management Association of China as per the Securities Investment Fund Law, the Interim Measures for the Supervision and Administration of Privately Offered Investment Funds, as well as other applicable laws and regulations. For further information, please refer to the Announcement on the Progress of the Establishment of the Strategic Investment Funds (announcement No. 2018-101) disclosed by the Company on 29 October 2018.

On 15 May 2018, the Company disclosed the Announcement on the Progress of the Establishment of an Equity Investment Fund (announcement No. 2018-047). TCL Culture Media, a wholly-owned subsidiary of the Company, intended to, as a limited partner together with Deqing Puying Investment Management Partnership (Limited Partnership), Hangzhou Shunwang Technology Co., Ltd. and Wang Wengan (natural person), to establish Qiyu Investment with a contribution of RMB70 million. Qiyu Investment specializes in the acquisition of the RMB118,990,957 limited partnership share of the Puhua Fund held by Shanghai Liyou, which is corresponding to the investment of the Puhua Fund in Shengqu Games. The fund is currently running well.

On 3 August 2018, the Company disclosed the Announcement on the Investment Progress of an Industrial Equity Investment Fund with the Company as a Co-Founder (announcement No. 2018-077). The changes to the partners of Xinjiang Dongpeng Heli Equity Investment Partnership (Limited Partnership), co-founded by the Company's wholly-owned subsidiary Xinjiang TCL Equity Investment Ltd. have been registered with the industrial and commercial administration and submitted to the Asset Management Association of China. The fund is currently running well.

On 29 August 2018, the Company disclosed the Announcement on the Establishment of a Startup Investment Fund (announcement No. 2018-089). Ningbo TCL Equity Investment Ltd., a wholly-owned subsidiary of the Company, together with Changzhou Chuangdong Fund Management Co., Ltd., Changzhou Peony Jiangnan Startup Investment Co., Ltd. and Changzhou Tianrong Equity Investment Center (Limited Partnership), intended to establish a startup investment fund of a target scale of RMB501 million. The fund would focus on investment in high-quality growing unlisted startups in the establishment or re-establishment process in TMT, new materials, intelligent manufacturing and other areas. The fund is currently running well.

On 30 November 2018, the Company completed the issuance of a three-year MTN of RMB2 billion at the offering price of RMB100/RMB100 par value with a coupon rate of 4.58%. For further

information, please refer to the announcement No. 2018-107 disclosed by the Company on the designated media.

## XX 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 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>
Announcement on the Introduction of Strategic Investor by Subsidiary Shenzhen China Star Optoelectronics Semiconductor Display Technology Co., Ltd.	3 August 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 the Reporting Period (+/-)					After	
	Shares	Percentage (%)	New issues	Shares as dividend converted from profit	Shares as dividend converted from capital reserves	Other	Subtotal	Shares	Percentage (%)
1. Restricted shares	4,513,615,359	33.40%	34,676,444			-2,722,638,512	-2,687,962,068	1,825,653,291	13.47%
1.1 Shares held by state-owned legal persons	1,244,019,136	9.20%				-1,244,019,136	-1,244,019,136		
1.2 Shares held by other domestic investors	3,179,063,876	23.53%	34,392,300			-1,478,619,376	-1,444,227,076	1,734,836,800	12.80%
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			4,949,999	39,342,299	524,078,826	3.87%
1.3 Shares held by	90,532,347	0.67%	284,144				284,144	90,816,491	0.67%

foreign investors									
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%				2,722,638,512	2,722,638,512	11,723,995,216	86.53%
2.1 RMB-denominated ordinary shares	9,001,356,704	66.60%				2,722,638,512	2,722,638,512	11,723,995,216	86.53%
3. Total shares	13,514,972,063	100.00%	34,676,444			0	34,676,444	13,549,648,507	100.00%

## 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 passed the half-year limit starting from his resignation, decreasing the restricted shares by 1,014,700 shares and decreasing the unrestricted shares accordingly; Li Dong increased his holdings by 6,600,000 shares, increasing the restricted shares by 4,950,000 shares; 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

## Progress on any share repurchase:

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable



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

Applicable Not applicable

## 2. Changes in Restricted Shares

Unit: share

Shareholder	Beginning restricted shares	Unlocked in Reporting Period	Increase in Reporting Period	Ending restricted shares	Reason for restriction	Date of unlocking
Hubei Changjiang Hezhi Hanyi Equity Investment Fund Partnership (Limited Partnership)	1,059,849,533	-	-	1,059,849,533	IPO restricted shares	2019-1-4
Star Century Enterprises Limited	90,532,347	-	-	90,532,347	IPO restricted shares	2020-12-25
Duiling Xinglan Venture Investment Management Partnership (Limited Partnership)	42,521,163	-	-	42,521,163	IPO restricted shares	2020-12-25
Duiling Xingyong Venture Investment Management Partnership (Limited Partnership)	38,380,684	-	-	38,380,684	IPO restricted shares	2020-12-25
Duiling Xingyuan Venture Investment Management Partnership (Limited Partnership)	37,695,315	-	-	37,695,315	IPO restricted shares	2020-12-25
Duiling Xinglian Venture Investment Management Partnership (Limited Partnership)	32,311,279	-	-	32,311,279	IPO restricted shares	2020-12-25

Other	484,736,527	-	4,949,999	489,686,526	Locked-up shares of senior management	9999-99-99
Awardees of restricted stock incentives	0	-	34,676,444	34,676,444	Restricted shares granted as incentives	2019-5-16
Total	1,786,026,848	-	39,626,443	1,825,653,291	--	--

## II. Issuance and Listing of Securities

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

■ Applicable □ Not applicable

Name of stock and its derivative securities	Issue date	Issue price (or interest rate)	Issued number	Listing date	Number approved for public trading	Termination date of transaction
Stock						
Restricted stock	2019-03-21	1.83	34,676,444	2019-05-16	34,676,444	-
Corporate bonds, including convertibles and warrant bonds						
Corporate bonds	2018-06-05	5.48%	10,000,000	2018-07-02	10,000,000	
Corporate bonds	2018-08-17	5.30%	20,000,000	2018-09-26	20,000,000	

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

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 passed the half-year limit starting from his resignation, decreasing the restricted shares by 1,014,700 shares and decreasing the unrestricted shares accordingly; Li Dong increased his holdings by 6,600,000 shares, increasing the restricted shares by 4,950,000 shares; 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.

### 3. Existing Staff-Held Shares

□ Applicable ■ Not applicable

## III Shareholders and Actual Controller

### 1. Shareholders and Their Shareholdings at the Period-End

Unit: share

Name of shareholder	Nature of shareholder	Shareholding percentage	Total shares held at the period-end	Increase/decrease in the Reporting Period	Restricted shares held	Unrestricted shares held	Shares in pledge or frozen	
							Status	Shares
5% or greater shareholders or top 10 shareholders								
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	747,420,000
Huizhou Investment Holding Co., Ltd.	State-owned legal person	6.48	878,419,747	-	-	878,419,747		
Li Dongsheng	Domestic natural person	4.76	644,873,688	6,600,000	483,655,266	161,218,422	In pledge	607,644,587
Beijing Ziguang Investment Co., Ltd.	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 Liancheng Equity Investment Partnership (Limited Partnership)	Domestic non-state-owned legal person	3.02	408,899,521	-	-	408,899,521	In pledge	408,899,521

Partnership)								
China Securities Finance Corporation Limited	Domestic non-state-owned legal person	2.75	373,231,553	-	-	373,231,553		
CDB Innovation Capital Co., Ltd.	State-owned legal person	2.37	320,685,219	-	-	320,685,219		
Guangdong Guangxin Holdings Group Ltd.	State-owned legal person	2.34	316,834,683	-	-	316,834,683		
Central Huijin Asset Management Co., Ltd.	State-owned legal person	1.52	206,456,500	-	-	206,456,500		
Strategic investor or general legal person becoming a top-10 ordinary shareholder in a 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) and CDB Innovation Capital 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 the shareholders above	During the Reporting Period, 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 shareholders								
Name of shareholder	Unrestricted shares held at the period-end	Shares by type						
		Type	Shares					
Huizhou Investment Holding Co., Ltd.	878,419,747	RMB-denominated ordinary stock	878,419,747					
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
China Securities Finance Corporation Limited	373,231,553	RMB-denominated ordinary stock	373,231,553
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
Central Huijin Asset Management Co., Ltd.	206,456,500	RMB-denominated ordinary stock	206,456,500
Li Dongsheng	161,218,422	RMB-denominated ordinary stock	161,218,422
CDB Jingcheng (Beijing) Investment Fund Co., Ltd.	158,343,559	RMB-denominated ordinary stock	158,343,559
Related or acting-in-concert parties among top 10 unrestricted public shareholders, as well as between top 10 unrestricted public shareholders and top 10 shareholders	During the Reporting Period, 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 ordinary shareholders involved in securities margin trading (if any) (see note 4)	None		

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

Yes  No

## 2. Controlling Shareholder

The Company has no controlling shareholder.

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 agreement signing day, 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 11.1% stake).

With confidence in the Company’s core business and long-term investment value, Mr. Li Dongsheng increased his shareholdings in the Company by a total of 6,600,000 shares on 18 and 19 December 2018, respectively. As at the end of the Reporting Period, Mr. Li Dongsheng and his acting-in-concert parties together held a total of 1,506,433,496 shares (an 11.12% stake) in the Company, and he is the biggest shareholder of the Company.

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

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

The Company has no actual controller.

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

Any shareholder with a greater than 10% interest at the ultimate control level:

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 agreement signing day, 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 11.1% stake).

With confidence in the Company’s core business and long-term investment value, Mr. Li Dongsheng increased his shareholdings in the Company by a total of 6,600,000 shares on 18 and 19 December 2018, respectively. As at the end of the Reporting Period, Mr. Li Dongsheng and his acting-in-concert parties together held a total of 1,506,433,496 shares (an 11.12% stake) in the Company, and he is the biggest shareholder of the Company.

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

Shareholder at the ultimate control level	Legal representative/per son-in-charge	Date of establishment	Organization code	Principal activity
Hubei Changjiang Hezhi Hanyi Equity Investment Fund Partnership (Limited Partnership)	Shenzhen Genzon Fund Management Co., Ltd. (assigned representative: Yang Shufen)	23 August 2016	91420100 MA4KNC A12R	Non-securities equity investment and the related consulting services (excluding activities restricted or prohibited by China’s laws or regulations or the State Council; not allowed to publicly raise or issue funds in any way) (not allowed to take in deposits or in a disguised form from the general public, or to offer loans) (where approval is required according to law, it shall be obtained before operation)
Huizhou Investment Holding Co., Ltd.	Liu Bin	31 December 2001	91441300 MA4W7A MD5H	State-owned assets operation and management and financing of the government’s construction projects within the authorization of the municipal government
Interests of the shareholder in other domestic or foreign listed companies	None			

during the Reporting Period	
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#### **4. Other 10% or Greater Corporate Shareholders**

Applicable  Not applicable

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

Applicable  Not applicable



## Part VII Directors, Supervisors, Senior Management and Staff

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

Name	Office title	Incumbent/Former	Gender	Age	Start of tenure	End of tenure	Beginning shareholding (share)	Increase in the Reporting Period (share)	Decrease in the Reporting Period (share)	Other increase/decrease (share)	Ending shareholding (share)
Li Dongsheng	Chairman of the Board and CEO	Incumbent	Male	61	2002-4-16	2020-8-31	638,273,688	6,600,000	-	-	644,873,688
He Jinlei	Vice Chairman of the Board	Incumbent	Male	45	2017-9-1	2020-8-31	0	-	-	-	0
Liu Bin	Vice Chairman of the Board	Incumbent	Male	49	2015-8-31	2020-8-31	0	-	-	-	0
Du Juan	Director and COO	Incumbent	Female	48	2018-3-2	2020-8-31	0	-	-	-	0
Bo Lianming	Director and President	Former	Male	55	2007-10-29	2018-3-2	4,058,801	-	-	-	4,058,801
Huang Xubin	Director and CFO	Incumbent	Male	53	2011-6-20	2019-1-10	3,383,380	-	-	-	3,383,380
Huang Wei	Director and Senior Vice President	Incumbent	Male	56	2015-8-13	2020-8-31	0	-	-	-	0
Liao Qian	Director and Board Secretary	Incumbent	Male	38	2014-4-23	2020-8-31	0	-	-	-	0
Wu Xiaohui	Director	Incumbent	Female	47	2017-9-1	2020-8-31	0	-	-	-	0

Yan Yan	Independent Director	Independent	Male	62	2015-3-24	2020-8-31	0	-	-	-	0
Lu Xin	Independent Director	Independent	Female	56	2014-9-1	2020-8-31	0	-	-	-	0
Zhou Guofu	Independent Director	Independent	Male	55	2014-9-1	2020-8-31	0	-	-	-	0
Liu Xunci	Independent Director	Independent	Male	60	2017-9-1	2020-8-31	0	-	-	-	0
He Zhuohui	Chairman of the Supervisory Committee	Independent	Male	53	2015-9-2	2020-8-31	0	-	-	-	0
Mao Tianxiang	Employee Supervisor	Independent	Male	38	2017-9-1	2020-8-31	0	-	-	-	0
Qiu Haiyan	Supervisor	Independent	Female	44	2014-9-1	2020-8-31	0	-	-	-	0
Jin Xuzhi	Senior Vice President	Independent	Male	64	2015-8-13	2020-8-31	0	-	-	-	0
Yan Xiaolin	CTO	Independent	Male	52	2014-9-1	2020-8-31	599,500	-	-	-	599,500
Wang Cheng	Senior Vice President	Independent	Male	44	2018-3-19	2019-1-10	0	-	-	-	0
Total	--	--	--	--	--	--	646,315,369	6,600,000	-	-	652,915,369

## II Change of Directors, Supervisors and Senior Management

Name	Office title	Type of change	Date of change	Reason for change
Bo Lianming	President and	Resignation	2 March 2018	Personal reason

	Executive Director			
Du Juan	COO and Executive Director	Elected	19 March 2018	Elected at a general meeting upon nomination by the Board
Wang Cheng	Senior Vice President	Hired	19 March 2018	Hired by the Board

### III Biographical Information

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

From 1982 to 1985, he served as Technician, Workshop Manager and Production Director in TTK Household Appliances Co., Ltd.; from 1985 to 1986, he served as First General Manager of TCL Communication Devices Company; from 1986 to 1989, he served as Director of the Introduction Department in Guangdong Huizhou Industrial Development Corporation; from 1990 to 1993, he served as Deputy General Manager, Deputy Secretary of the Party Committee and Secretary of the Youth League Committee of Huizhou Electronic Communication Corporation; from 1993 to 1996, he served as General Manager of TCL Electronics Group; from 1996 to 2002, he served as Chairman and President of TCL Corporation and in 2002, Mr. Li Dongsheng was selected as "CCTV's Economic Person of the Year 2002"; from April 2002 to January 2004, he served as Chairman and President of TCL Corporation; from January 2004 till now, he serves as Chairman and CEO of TCL Corporation. On October 24, 2018, he was selected on the "List of 100

Outstanding Private Entrepreneurs of 40 Years of Reform and Opening Up” of the United Front Work Department and All China Federation of Industry and Commerce. On December 18, 2018, he was selected on the list of “100 Outstanding Contributors of Reform and Opening Up” of the Central Committee of the Party and the State Council; he won the title of Pioneer of Reform and awarded with the medal with the comment “A pioneer opening the international market in electronics industry”.

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

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

Born in February 1970, **Mr. Liu Bin** has obtained the Bachelor’s Degree and is an Assistant Economist and Member of the Communist Party of China. He graduated from the Department of Management Engineering of South China University of Technology. Currently, he serves as Chairman and General Manager of Huizhou Investment Holdings Co., Ltd.. From July 1992 to December 1993, he served as Deputy Director of the General Office in Huizhou Foreign Investment Service Corporation; from December 1993 to December 1998, he served as Secretary to the General Manager, Administrative Assistant to the General Manager and Assistant to the General Manager (the Deputy Section Head level) of Huizhou Economy and Trade Group Co., Ltd.; from December 1998 to June 2003, he served as Manager of Huizhou Tea Import and Export Company (the Section Head level); from June 2003 to June 2010, he served as Deputy General Manager and General

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

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

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

**Mr. Bo Lianming** graduated from Xi'an Jiaotong University with PhD. Since he joined in TCL Corporation in 2000, he has served in many important positions, including Vice President and

Director of Finance in Information and Industry Group, Vice President in Component Business Division, Executive Vice President in TTE Corporation, and Director of Human Resource, Vice President and Senior Vice President of TCL Corporation. Mr. Bo has more than 15 years of experience in household electronic product industry. From June 2011 to March 2018, he served as President of TCL Corporation. From December 2012 to August 2016, he served as CEO and Executive Chairman of CSOT. Before joining in TCL Corporation in 2000, he served as Chief Accountant in Shenzhen Airlines Company. He is one of the founders of Shenzhen Airlines Company.

**Mr. Huang Xubin** is the Executive Director and CFO of the Company. Born in November 1965, he graduated from Hunan University (the former Hunan Institute of Finance and Economics). Later, he obtained the Master's Degree in Economics from the Department of Postgraduate of the Ministry of Finance of China and EMBA from CEIBS and became a Senior Economist. He served as Officer in the Investment Institute, Deputy General Manager of the Credit Card Division, Deputy Division Head and Division Head of the Credit Loan Division in China Construction Bank Guangdong Branch. During the period, he concurrently served as Manager in Guotai Junan Securities Co., Ltd. Guangzhou Branch and Senior Manager in China Cinda Guangzhou Office. He joined in TCL in March 2001. In 2002, he served as Vice Group Leader of the Application and Preparations Leading Group in the Finance Company of TCL Corporation; from May 2002 to December 2008, he served as Director and General Manager of the Financial Settlement Center in TCL Corporation; from June 2004 to June 2008, he served as Chief Economist of TCL Corporation; from October 2006 to December 2008, he served as General Manager of the Finance Company of TCL Corporation; from April 2008 to January 2011, he served as Vice President of the Company; from June 2008 to January 2011, he served as Director of Finance of the Company; from January 1, 2011 to March 30, 2011, he concurrently served as Board Secretary of the Company (in an acting capacity); from January 28, 2011 to January 10, 2019, he served as CFO of the Company.

**Mr. Huang Wei** currently serves as Senior Vice President, Deputy Secretary of the Party Committee and Member of the Execution Commission in the Company. Born in October 1963, he has obtained MBA. He served as Deputy Director of Wuhan Television Set Factory; Director and Deputy General Manager of Wuhan JVC Electronic Industry Co., Ltd.; Director of Wuhan

Television Set Factory and Chairman of Wuhan JVC Electronic Industry Co., Ltd.. Mr. Huang Wei joined in TCL in May 1998. He served as Assistant to the General Manager in TCL King Electrical Appliances (Huizhou) Co., Ltd.; Director and Deputy General Manager in TCL-Melody; Deputy Director of the President's Office, Head of the Human Resource Department, Director of the President's Office, Secretary of the Discipline Commission and Vice President in the Company. Mr. Huang Wei concurrently serves as Chairman of Shenzhen TCL Real Estate Co. Ltd.; General Manager of Huizhou TCL Environmental Protection Resources Co., Ltd.; and Chairman of TCL Aggregate Procurement Supply Chain Technology Co., Ltd..

**Mr. Liao Qian** currently serves as Vice President and Board Secretary of the Company. Born in July 1980, he has obtained the Master's Degree and holds the Occupational Qualification Certificate of the People's Republic of China for Law. In 2002, he graduated from Fuzhou University with the Bachelor's Degree in Economics; in 2006, he graduated from Yunnan University with the Master's Degree in Law. From August 2006 to February 2014, he served as Senior Manager and General Manager of the Financial Consultation Department and Director of Institutional Account Department in Guotai Junan International Holdings Co., Ltd. and was engaged in the investment banking business in the capital markets of Hong Kong and Mainland China. He joined in TCL Corporation in March 2014. From April 2014, he serves as Board Secretary of the Company; from December 2014, he serves as Member of the Execution Commission in the Company. From September 2015, he serves as Director of Huizhou Financial Holdings (Shenzhen) Co., Ltd.. From March 2016, he serves as Director of Huizhou Cool Friends Network Technology Co., Ltd.. In July 2016, he served as Director of Speedex, a holding subsidiary of TCL. From August 2016, he serves as Director of Hawk Internet and of TCL Culture Media, holding subsidiaries of TCL. From November 2016, he serves as Independent Director of JiaWei Renewable Energy (stock code: 300317). From January 1, 2017, he serves as Director of TCL Tonly Electronics and of CDOT. From March 31, 2017, he serves as Non-Executive Director of Fantasia. From October 2018, he serves as Chairman of Highly.

Born in July 1972, **Ms. Wu Xiaohui** has obtained the PhD in Law from Sun Yat-sen University and is a Senior Economist. From June 1993 to April 1995, she served as a leader in the Law Office of the Operation Department in Guangzhou Engineering Contractor Group Co., Ltd.; from April 1995

to October 2000, she served as a leader in the Law Office of the Operation Department and Corporate Youth League Committee Secretary in Guangzhou Engineering Contractor Group Co., Ltd.; from October 2000 to March 2016, she served as Deputy General Manager and Head of the Legal Affairs Department, Vice Chairman of the Labor Union, Chief Legal Consultant, Deputy General Manager and Member of the Party Committee in Guangdong Guangye Group Co., Ltd. and concurrently as Director of South China Sea Oil Joint Service Corp. and Director of Guangdong Petro-Trade Development Corporation. From March 2016 till now, she serves as General Manager, Deputy Secretary of the Party Committee and Director of Guangdong Guangxin Holdings Group Ltd..

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

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



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

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

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

Mr. Zhou Guofu won the ISMANAM1994 Gold Award for French Young Scientists, Royal Philips Major Invention Bronze Award and Silver Award and Individual Innovation Award for China Production, Education and Research Collaboration. He was named as “Star of Entrepreneurship and Innovation” in Guangdong Province, Honorary Citizen of Guangzhou City and “Hero of Innovation”

of Guangzhou City. He was selected into the Recruitment Program for Global Expert, as a distinguished expert of the country, a leading professional of Guangdong Province and an “Outstanding Professional” under the Special Support Program of Guangdong Province. He has published 290 scientific papers and applied for 622 patents, including 231 international ones, of which 50 have been authorized in the U.S. and one authorized in Japan. Mr. Zhou Guofu holds a number of prominent positions, including Chief Scientist of National Key R&D Program of China; Director of the “Center for International Research on Green Optoelectronics” of the National International Science and Technology Cooperation Base; Head of 111 Project - Optical Information Innovation and Expert Introduction Center; Director of “International Joint Laboratory for Optical Information Technologies” under the Ministry of Education; Chairman of the Organization Committee for the International Conference on Display Technology (2018) hosted by the Society for Information Display (SID); Member of the Society for Information Display (SID) Asia Branch; Member of the Committee for the International Conference on Display Technology; Reviewer of Physical Review Letters, Reviews of Modern Physics, Applied Physics Letters and Applied Physics; Member of CSOE; Member of MNSC; Strategic Expert for the fundamental research of Guangdong Province; Executive Director of the Council of GDMRS; Deputy Secretary-General of Guangdong Alliance of Printed Display Technology Innovation; and President of Shenzhen Alliance of Industrial Technology Innovation.

Born in September 1959, **Mr. Liu Xunci** is a professor in Huizhou University with the Master’s Degree. He is one of the top professionals in Huizhou City and a member of the Decision-Making and Consultation Commission of the Municipal Government. After graduating from high school in September 1976, he went to the countryside and joined in the workforce; from September 1980 to July 1993, he studied in the Postgraduate Program; from July 2006 to May 2007, he stayed in the University of Greenwich as a visiting scholar. He served as Associate Professor in Hengyang Normal University and Professor in Hunan Agricultural University. Currently, he serves as Professor in Huizhou University.

Mr. Liu Xunci has presided over and engaged in a number of fund projects of the national and provincial levels. His works include Analysis of Industrial and Commercial Management Strategies, Theory and Practice on the Strategic Planning of Regional Economy, Corporate Strategy

Management, etc.. He has published more than 50 papers on academic journals. His major research interests include planning of regional economy, corporate strategy management and finance management. In recent few years, he has led and completed “12<sup>th</sup> Five-Year” and “13<sup>th</sup> Five-Year” economic and social development plans and corporate management consultations commissioned by governments and enterprises and special research reports, and proposed and verified “Pearl River Delta”, “Ring Daya Bay Economic Zone” and “Guangdong-Hong Kong-Macao Greater Bay Area”, with quite a few projects going into the government’s decision-making list.

Born in July 1966, **Mr. He Zhuohui** currently serves as Full-time Deputy Secretary and Director in Huizhou Investment Holdings Co., Ltd.. From August 1991 to June 1995, he served as Deputy Director of the General Office and Director of the Office in China Construction Bank Huiyang Branch; from June 1995 to August 2008, he served as Manager in Renchengchang (Huizhou) Investment Co., Ltd.; from August 2008 to September 2009, he served as General Manager of Huizhou Investment Holdings Asset Management Co., Ltd.; from September 2009 to December 2012, he served as Manager of the Management and Development Department in Huizhou Investment Holdings Co., Ltd. and Deputy General Manager and Director of Huizhou Fairway Investment and Construction Co., Ltd.; from December 2012 till now, he serves as Full-time Deputy Secretary in Huizhou Investment Holdings Co., Ltd.; from February 2014 till now, he serves as Director in Huizhou Investment Holdings Co., Ltd. (from April 2010 to January 2017, he concurrently served as Director of the First and Second Session of the Board of Huizhou Fairway Investment and Construction Co., Ltd.; from August 2015, he concurrently serves as Chairman of the Fifth Session of the Board of Supervisors of TCL Corporation).

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

Ltd.; from June 2013 to May 2018, she concurrently served as Director in Huizhou Investment Holdings Asset Operation Co., Ltd.; from March 2014, she concurrently serves as Workers' Representative Director in Huizhou Investment and Development Co., Ltd.; from April 2014, she concurrently serves as Supervisor of the Fifth Session of the Board of Supervisors of TCL Corporation).

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

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

October 2005, he served as CTO in the Component Business Division of TCL Corporation and Deputy Director and Acting Director of TCL Industrial Technology Research Institute; from October 2005 till now, he serves as Director of TCL Industrial Technology Research Institute; from May 2008 to November 2012, he served as Vice President of TCL Corporation; from December 2012 till now, he serves as CTO and Senior Vice President of TCL Corporation. He is holding a number of positions currently, including CTO and Senior Vice President of TCL Corporation, Director of TCL Industrial Technology Research Institute, Executive Director of TCL Multimedia, Director of CSOT, Chief Scientist of CSOT, Chairman of Guangdong Juhua, Chairman of China Ray, Vice Chairman of Amlogic (Shanghai) Inc. and Director of Kateeva.

He is an Expert of NACMIDS, Key Project Expert of National “Key New Material R&D and Application” and Head of the New Display Group, Expert of “Strategic Advanced Electronic Material Key Specials” under the National Key R&D Program during the 13<sup>th</sup> Five-Year Plan Period, Head of the General Expert Panel for the 12<sup>th</sup> Five-Year New Display Key Specials under the Ministry of Science and Technology, Science Innovation Leading Professional under the Special Support Program for High-Calibre Professionals of the Organization Department of the Central Committee of the CPC, and one of the National Young and Middle-Aged Experts with Outstanding Contributions under the National “Talents Project”.

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

Born in November 1974, **Mr. Wang Cheng** obtained the Bachelor’s Degree in Economics from Harbin University of Commerce in July 1997 and EMBA from UT Arlington in December 2005. From July 1997 to January 2004, he served as Deputy Director of HR Department in TCL Multimedia Sales Company; from January 2006 to September 2006, he served as Director of the

European Channel Account Department in the OEM Business Center, TTE Strategy, TCL Multimedia; from September 2006 to May 2015, he served as General Manager of TCL Multimedia Vietnam Branch, General Manager of the Overseas Business Center and Vice President of TCL Multimedia; from June 2015 to July 2016, he served as HR Director in TCL Corporation; from August 2016 to November 2017, he served as General Manager of the Supply Chain Management Center in TCL Multimedia; from January 2017 to October 2017, he served as COO of TCL Multimedia; from February 2017 to July 2018, he served as General Manager of the Chinese Business Division in TCL Multimedia; from March 2017 to February 2018, he served as Vice President of TCL Corporation. From October 2017 till now, he serves as CEO of TCL Multimedia (later changed to TCL Electronics); from March 2018 to January 2019, he served as Senior Vice President of TCL Corporation; from July 2018 till now, he serves as CEO of TCL Communication.

Offices held concurrently in shareholding entities:

Name	Shareholding entity	Office held in the shareholding entity	Start of tenure	End of tenure	Remuneration or allowance from the shareholding entity
Li Dongsheng	Xinjiang Jiutian Liancheng Equity Investment Partnership (Limited Partnership)	Assigned representative of the managing partner	August 2014	Ongoing	None
He Jinlei	China Development Bank Capital Co., Ltd.	Vice President	December 2011	Ongoing	Yes
Liu Bin	Huizhou Investment Holding Co., Ltd.	Chairman of the Board and General Manager	May 2015	Ongoing	Yes
Wu Xiaohui	Guangdong Guangxin Holdings Group Ltd.	General Manager/Deputy Party Secretary/Director	March 2016	Ongoing	Yes
He Zhuohui	Huizhou Investment Holding Co., Ltd.	Full-Time Deputy Secretary and Director	December 2012	Ongoing	Yes
Qiu Haiyan	Huizhou Investment Holding Co., Ltd.	Employee Director	February 2014	Ongoing	Yes

Note	Not applicable
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## Offices held concurrently in other entities:

Name	Other entity	Office held in the entity	Start of tenure	End of tenure	Remuneration or allowance from the entity
Li Dongsheng	Tencent Holdings Limited	Independent Non-Executive Director	April 2004	Ongoing	Yes
	Legrand in France	Independent Director	May 2013	Ongoing	Yes
	Fantasia Holdings Group Co., Limited	Non-Executive Director	January 2014	Ongoing	Yes
Liu Bin	Huizhou Financing Guaranty Co., Ltd.	Chairman of the Board	August 2015	Ongoing	No
Zhou Guofu	Philips Research in the Netherlands	Senior advisor	January 2011	Ongoing	No
	Eindhoven University of Technology in the Netherlands	Special Term Professor and Science Consultant	April 2012	Ongoing	No
	South China Academy of Advanced Optoelectronics of South China Normal University	Professor and Dean	April 2011	Ongoing	Yes
Lu Xin	Jinan University	Professor	January 2004	Ongoing	Yes
	Kingfa Sci. & Tech. Co., Ltd.	Independent Director	May 2014	Ongoing	Yes
	Gree Electric Appliances Inc.	Independent Director	June 2015	Ongoing	Yes
Yan Yan	SAIF Partners	Founding Managing Partner	October 2001	Ongoing	No
	China Resources Land Limited	Independent Non-Executive Director	July 2006	Ongoing	Yes
	Guodian Technology and Environment Group Corporation Limited	Non-Executive Director	June 2012	Ongoing	No
	Bluefocus Intelligent Communications Group Co., Ltd.	Independent Director	March 2014	Ongoing	Yes
	ATA Inc.	Director	March 2005	Ongoing	Yes

Liu Xunci	Huizhou University	Professor	January 2006	Ongoing	Yes
Huang Xubin	Bank of Shanghai	Non-Executive Director	September 2015	15 January 2019	No
Liao Qian	Fantasia Holdings Group Co., Limited	Non-Executive Director	March 2017	Ongoing	Yes
	Shenzhen Jiawei Photovoltaic Lighting Co., Ltd.	Independent Director	November 2016	Ongoing	Yes
Note	Not applicable				

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

Applicable  Not applicable

#### IV Remuneration of Directors, Supervisors and Senior Management

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

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

The remuneration and allowances of directors:

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

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

The remuneration and allowances of supervisors:

The allowance for the Chairman of the Supervisory Committee is RMB160,000/year (tax inclusive); the allowance for the shareholder supervisor is RMB100,000/year (tax inclusive); and as the



Company pays remuneration to the employee supervisor, it shall not pay additional allowances to him/her.

Unit: RMB'000

Name	Office title	Gender	Age	Incumbent/Former	Total before-tax remuneration from the Company	Any remuneration from related party
Li Dongsheng	Chairman of the Board and CEO	Male	61	Incumbent	2,991.1	
He Jinlei	Vice Chairman of the Board	Male	45	Incumbent	0	No
Liu Bin	Vice Chairman of the Board	Male	49	Incumbent	160.0	Yes
Du Juan	Director and COO	Female	48	Incumbent	1,213.6	
Bo Lianming	Director and President	Male	55	Former	2,485.9	
Huang Xubin	Director and CFO	Male	53	Incumbent	1,845.7	
Huang Wei	Director and Senior Vice President	Male	56	Incumbent	1,527.3	
Liao Qian	Director and Board Secretary	Male	38	Incumbent	1,087.5	
Wu Xiaohui	Director	Female	47	Incumbent	0	
Yan Yan	Independent Director	Male	62	Incumbent	160.0	
Lu Xin	Independent Director	Female	56	Incumbent	200.0	
Zhou Guofu	Independent Director	Male	55	Incumbent	160.0	
Liu Xunci	Independent Director	Male	60	Incumbent	160.0	
He Zhuohui	Chairman of the Supervisory Committee	Male	53	Incumbent	160.0	Yes
Qiu Haiyan	Supervisor	Female	38	Incumbent	100.0	Yes
Mao Tianxiang	Supervisor	Male	44	Incumbent	432.5	
Jin Xuzhi	Senior Vice President	Male	64	Incumbent	9,868.4	
Yan Xiaolin	CTO	Male	52	Incumbent	1,772.5	
Wang Cheng	Senior Vice President	Male	44	Incumbent	1,539.4	
Total	--	--	--	--		--

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

Applicable  Not applicable

## V Employees

### 1. Number, Functions and Educational Backgrounds of Employees

Number of in-service employees of the Company as the parent	220
Number of in-service employees of major subsidiaries	89,530
Total number of in-service employees	89,750
Total number of paid employees in the Reporting Period	89,750
Number of retirees to whom the Company as the parent or its major subsidiaries need to pay retirement pensions	184
<b>Functions</b>	
Function	Employees
Production	49,216
Sales	13,738
R&D and technical	12,481
Financial	1,295
Administrative	1,182
Managerial	3,029
Other	8,809
Total	89,750
<b>Educational backgrounds</b>	
Educational background	Employees
Doctorate degree	246
Master's degree	2,759
Bachelor's degree	16,875
Junior college	7,259
Senior high school/technical secondary school	9,016
Junior high school and below	1,716
Total	37,871

Note: The table above excludes operating workers.

### 2. Employee Remuneration Policy

The Company implements the remuneration management principle of “determining position by responsibilities, determining salary by position and determining remuneration by performance”.

Fixed income is determined based on position assessment, variable income is determined based on performance appraisal and a remuneration distribution mechanism oriented by position and performance is established inside the Company.

### **3. Employee Training Plans**

Established in 2015, TCL University aims to help enterprises to implement the Double Plus strategic transformation. Based on strategies and performances, the University facilitates the growth of enterprises. It combines corporate management wisdom and best business practice and converts the core concept of TCL into learners' behaviors and abilities to help them with their development; it establishes a communication platform for ambitious and competent employees of the whole Company and assists in the implementation of innovation projects. It has developed more than 80% of middle management professionals for enterprises. In 2018, on the basis of providing services internally, TCL University started to undertake business from external parties with an aim to allow corporate learning to become a driving force of business.

### **4. Labor Outsourcing**

Applicable  Not applicable

## Part VIII Corporate Governance

### I General Information of Corporate Governance

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

During the Reporting Period, in accordance with the *Company Law*, the *Securities Law*, the *Code of Corporate Governance for Listed Companies* and other relevant laws and regulations, the Company continued to refine its governance structure and further standardized its operations to comply with the requirements of related laws and regulations. During the Reporting Period, the Company's directors, supervisors and senior management furthered their learning of regulations and documents

in respect of the corporate governance for listed companies, strengthened their self-discipline and diligence, and faithfully safeguarded the interests of all shareholders, in particular the minority shareholders.

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

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

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

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 The Majority-Owned Subsidiary Management Measures of TCL Corporation
 

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 The Rules Governing the Related-Party Transactions of TCL Corporation
 

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 The Rules Governing the Guarantees Provided for External Parties of TCL
 

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 Corporation
 

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 The Internal Control Rules of TCL Corporation
 

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 The Internal Audit Charter of TCL Corporation
 

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 The Internal Control Evaluation Rules of TCL Corporation
 

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

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

Upon various special checks of corporate governance by the CSRC and work conferences on the governance of listed companies, the Company has revised its Articles of Association, Rules Governing the Guarantees Provided for External Parties, and the Internal Control Rules for Investments in Derivative Financial Instruments. The rules strictly standardize the Company's behaviors and protect the interests of investors.

The following rules have been revised in 2018 so as to further improve corporate governance:

<b>Title of rules</b>	
Revised	The Articles of Association of TCL Corporation
Revised	The Rules Governing the Guarantees Provided for External Parties of TCL Corporation
Revised	The Internal Control Rules for Investment in Derivative Financial Instruments of TCL Corporation

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

Applicable  Not applicable

### III Horizontal Competition

Applicable  Not applicable

### IV Annual and Extraordinary General Meetings Convened during the Reporting Period

#### 1. General Meeting Convened during the Reporting Period

Meeting	Type	Investor participation ratio	Date of the meeting	Disclosure date	Index to disclosed information
The First Extraordinary General Meeting of 2018	Combination of on-site and online voting	37.36%	19 March 2018	20 March 2018	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
The 2017 Annual General Meeting	Combination of on-site and online voting	40.57%	18 May 2018	19 May 2018	
The Second Extraordinary General Meeting of 2018	Combination of on-site and online voting	37.04%	6 June 2018	7 June 2018	
The Third Extraordinary General Meeting of 2018	Combination of on-site and online voting	33.45%	18 August 2018	19 August 2018	
The Fourth Extraordinary General Meeting of 2018	Combination of on-site and online voting	36.05%	12 September 2018	13 September 2018	
The Fifth Extraordinary General Meeting of 2018	Combination of on-site and online voting	36.03%	13 November 2018	14 November 2018	

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

##### Voting Rights

Applicable  Not applicable

### V Performance of Duty by Independent Directors in the Reporting Period

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

Attendance of independent directors at board meetings and general meetings



Independent director	Total number of board meetings the independent director was eligible to attend	Board meetings attended on site	Board meetings attended by way of telecommunication	Board meetings attended through a proxy	Board meetings the independent director failed to attend	The independent director failed to attend two consecutive board meetings (yes/no)	General meetings attended
Lu Xin	8	3	5	0	0	No	1
Zhou Guofu	8	1	7	0	0	No	0
Yan Yan	8	0	8	0	0	No	0
Liu Xunci	8	3	5	0	0	No	5

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

No such cases in the Reporting Period.

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

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

Issue date of opinion	Matter	Type of opinion
2 March 2018	The Top 400 and Key Personnel Stock Ownership Plan and the Global Partner Plan of TCL Corporation (Draft) and its Summary, The 2018 Restricted Stock Incentive Plan and the Global Innovation Partner Plan of TCL Corporation (Draft) and its Summary, and the nomination of director candidates and the engagement of senior management	Consent
22 March 2018	The adjustments to The 2018 Restricted Stock Incentive Plan and the Global Innovation Partner Plan of TCL Corporation, and the grant of restricted shares to the awardees	Consent
28 April 2018	The 2017 Annual Profit Distribution Plan, the Proposal on the Engagement Renewal of the CPA Firm, the 2017 Annual Internal Control Evaluation Report, the Proposal on the Estimated Continuing Related-Party Transactions in 2018, The Proposal on the Guarantee Line for Subsidiaries in 2018, the Proposal on the Adjustment to the	Consent

Issue date of opinion	Matter	Type of opinion
	Investment Line of Derivative Financial Instruments, the Special Statement on the Capital Occupation by the Controlling Shareholder or Other Related Parties and the Guarantees Provided for External Parties, the derivative financial instrument transactions carried out by the Company in 2017, and the changes to the Company's accounting policies	
23 August 2018	The adjustments to the CSOT Housing Program	Consent
29 August 2018	The Proposal on the Adjusted Guarantee Line for Subsidiaries, and the derivative financial instrument transactions carried out by the Company in H1 2018	Consent
	The Special Statement on the Capital Occupation by the Controlling Shareholder or Other Related Parties and the Guarantees Provided for External Parties	Consent
30 October 2018	The Proposal on the Adjusted Guarantee Line for Subsidiaries, the Proposal on the Changes to the Accounting Policies, and the derivative financial instrument transactions carried out by the Company in Q1~Q3 2018	Consent
8 December 2018	The major asset sale and related-party transaction, the evaluation in the transaction, the related-party transactions between the Company and the transaction counterparty upon the completion of the major asset sale, the continued provision of guarantees by the Company for the target companies of the major asset sale, and the lendings and borrowings between the Company and the target companies of the major asset sale	Consent

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

### 1. Performance of Duty by the Audit Committee

In the principle of being diligent, pragmatic and realistic, all the members of the Audit Committee under the Board proactively pushed forward the 2018 annual audit. During the annual audit, the Audit Committee convened four meetings to review the audit plan and the financial statements. It also fully communicated with the accountants responsible for the annual audit. Two letters were issued to urge the auditor to carry out the audit in strict compliance with the audit plan.

The Audit Committee summarized the 2018 annual audit carried out by Da Hua Certified Public Accountants (Special General Partnership) as follows:

On 30 January 2019, we reviewed and confirmed the Audit Plan of the Internal Control of TCL Corporation in 2018 and the Audit Plan of the 2018 Annual Financial Statements of TCL Corporation submitted by Da Hua Certified Public Accountants (Special General Partnership), the independent auditor for the year 2018.

In October 2018, the auditor started the pre-audit of the annual report. On 2 January 2019, the

auditor came to the Company and started the official audit. Afterwards, according to the audit plan, we emailed and called a few times to learn about and urge the audit progress, as well as went to the audit site to offer advice and urge the audit progress. We issued Urge Letters on 5 and 13 March 2019 respectively to ask the auditor to carry out the audit in accordance with the audit plan, as well as to raise the following major questions: 1. whether the Company's accounting statements were prepared in strict compliance with the Chinese Accounting Standards for Business Enterprises, the Company's financial rules, as well as the applicable laws and regulations; 2. whether the Company's accounting treatments needed to be improved; and 3. whether the Company provided sufficient materials as required by the auditor. The auditor replied to these questions in a timely manner.

On 19 March 2019, we reviewed the unaudited 2018 annual financial statements of the Company and agreed that the 2018 annual audit should be carried out based on the said financial statements.

On 19 March 2019, the auditor issued a preliminary "unmodified unqualified" audit opinion on the Company's financial statements, to which we agreed.

We believed that Da Hua Certified Public Accountants (Special General Partnership), the independent auditor for the year 2018, provided audit service for the Company in a diligent and responsible way. It completed the audit in strict accordance with the audit plan. The audited financial statements were a factual and complete reflection of the Company's financial position as at 31 December 2018, as well as the operating results and cash flows of the year then ended. The audit opinion they issued factually reflected the Company's realities. On 19 March 2019, the Audit Committee convened a meeting, where the following proposals were approved and submitted to the Board for further review: The 2018 Annual Financial Report, the Summary Report of the Audit Committee under the Board Regarding the 2018 Annual Audit Carried out by Da Hua Certified Public Accountants (Special General Partnership), and the Proposal on the Renewal of the Engagement of Da Hua Certified Public Accountants (Special General Partnership) as the Independent Auditor for 2019.

## 2. Performance of Duty by the Nomination Committee

During the Reporting Period, the Nomination Committee convened one meeting, where the Proposal on the Nomination of a Director Candidate for the Sixth Board was reviewed and Ms. Du

Juan was nominated as a director.

### 3. Performance of Duty by the Remuneration and Appraisal Committee

During the Reporting Period, the Remuneration and Appraisal Committee convened one meeting, where The 2018 Restricted Stock Incentive Plan and the Global Innovation Partner Plan of TCL Corporation (Draft) and other proposals were reviewed.

## VII Performance of Duty by the Supervisory Committee

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

Yes  No

Meeting	Date of the meeting	Supervisor present	Proposal reviewed at the meeting	Resolution	Index to the disclosed resolution	Disclosure date
The Third Meeting of the Sixth Supervisory Committee	3 March 2018	He Zhuohui Qiu Haiyan Mao Tianxiang	1. The Top 400 and Key Personnel Stock Ownership Plan and the Global Partner Plan of TCL Corporation (Draft) and its summary; 2. The 2018 Restricted Stock Incentive Plan and the Global Innovation Partner Plan of TCL Corporation (Draft) and its summary; 3. The Implementation and Appraisal Measures for the 2018 Restricted Stock Incentive Plan and the Global Innovation Partner Plan of	Resolutions of the Third Meeting of the Sixth Supervisory Committee	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>	4 March 2018

			TCL Corporation; and 4. Examination of the awardee list for the 2018 Restricted Stock Incentive Plan.		
The Fourth Meeting of the Sixth Supervisory Committee	21 March 2018	He Zhuohui Qiu Haiyan Mao Tianxiang	1. Adjustments to the 2018 Restricted Stock Incentive Plan and the Global Innovation Partner Plan; and 2. Granting of restricted stock to the awardees.	Resolutions of the Fourth Meeting of the Sixth Supervisory Committee	22 March 2018
The Fifth Meeting of the Sixth Supervisory Committee	27 April 2018	He Zhuohui Qiu Haiyan Mao Tianxiang	1. The 2017 Annual Work Report of the Supervisory Committee; 2. The 2017 Annual Financial Report; 3. The 2017 Annual Report and its summary; 4. The First Quarter Report 2018 and its summary; 5. The 2017 Annual Internal Control Evaluation Report; 6. The Social Responsibility & Sustainable Development 2017; 7. The proposal on the write-off of the doubtful accounts in 2017; 8. The	Resolutions of the Fifth Meeting of the Sixth Supervisory Committee	28 April 2018

			proposal on changes to the accounting policies; and 9. The proposal on profit distribution.		
The Sixth Meeting of the Sixth Supervisory Committee	27 August 2018	He Zhuohui Qiu Haiyan Mao Tianxiang	1. Interim Report 2018 and its summary	Resolutions of the Sixth Meeting of the Sixth Supervisory Committee	28 August 2018
The Seventh Meeting of the Sixth Supervisory Committee	29 October 2018	He Zhuohui Qiu Haiyan Mao Tianxiang	1. Third Quarter Report 2018 and its summary; and 2. The proposal on accounting policy changes.	Resolutions of the Seventh Meeting of the Sixth Supervisory Committee	30 October 2018
The Eighth Meeting of the Sixth Supervisory Committee	7 December 2018	He Zhuohui Qiu Haiyan Mao Tianxiang	1. Being eligible for a major asset sale; 2. The major asset sale and related-party transaction plan; 3. The transaction being a related-party transaction; 4. The Major Asset Sale and Related-Party Transaction Report (Draft) and its summary; 5. Signing the Major Asset Sale Agreement with the transaction counterparty, which was conditionally effective; 6. The continuing	Resolutions of the Eighth Meeting of the Sixth Supervisory Committee	8 December 2018

			related-party transactions with the transaction counterparty after the completion of the major asset sale; 7. Signing the Continuing Related-Party Transaction Framework Agreement with the transaction counterparty of the restructuring; and 8. The continued provision of guarantees for the target companies of the major asset sale.		
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The Supervisory Committee raised no objections in the Reporting Period.

### VIII Appraisal of and Incentive for Senior Management

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

360-degree behavior interview or online assessment, supported by key experience, personality or management style assessment, which served as the main basis for appraising, appointing and dismissing leaders.

## IX Internal Control

### 1. Material Internal Control Weaknesses Identified for the Reporting Period

Yes  No

No such cases in the Reporting Period.

### 2. Internal Control Self-Evaluation Report

Disclosure date of the internal control self-evaluation report	20 March 2019	
Index to the disclosed internal control self-evaluation report	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>	
Evaluated entities' combined assets as % of consolidated total assets		94%
Evaluated entities' combined operating revenue as % of consolidated operating revenue		91%
Identification standards for internal control weaknesses		
Type	Weaknesses in internal control over financial reporting	Weaknesses in internal control not related to financial reporting
Nature standard	<p>Material weaknesses: (1) an invalid control environment; (2) fraud of directors, supervisors and senior management; (3) any material misstatement of the financial reporting of the current period which is identified by the registered accountants but the Company fails to do so; and (4) invalid internal control supervision by the Audit Committee and the internal audit organ.</p> <p>Serious weaknesses: A single weakness or a group of weaknesses which are less serious than a material weakness but could still cause deviation from the control objectives</p> <p>Common weaknesses: Other internal control weaknesses that are neither material nor serious</p>	<p>Material weaknesses: (1) material violations of the country's laws or regulations in the Company's operating activities; (2) any material decision-making error that is caused by an irrational decision-making procedure and causes material property loss to the Company; (3) a massive loss of the key managerial or technical personnel; and (4) frequent negative news coverage that causes great concern of the regulatory administration and a material long-lasting impact on the Company's brand and reputation.</p> <p>Serious weaknesses: A single weakness or a group of weaknesses which are less</p>



		serious than a material weakness but could still cause deviation from the control objectives Common weaknesses: Other internal control weaknesses that are neither material nor serious
Quantitative standard	Material weaknesses: misstatements $\geq$ 5% of profit before tax; Serious weaknesses: 3% of profit before tax $\leq$ misstatements $<$ 5% of profit before tax; Common weaknesses: misstatements $<$ 3% of profit before tax	Not applicable
Number of material weaknesses in internal control over financial reporting	0	
Number of material weaknesses in internal control not related to financial reporting	0	
Number of serious weaknesses in internal control over financial reporting	0	
Number of serious weaknesses in internal control not related to financial reporting	0	

## X Independent Auditor's Report on Internal Control

Opinion paragraph in the independent auditor's report on internal control	
In our opinion, TCL Corporation maintained, in all material respects, effective internal control over financial reporting as of 31 December 2018, based on the Basic Rules on Enterprise Internal Control and other applicable rules.	
Independent auditor's report on internal control disclosed or not	The Internal Control Audit Report of TCL Corporation disclosed on <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> dated 20 March 2019
Disclosure date	20 March 2019
Index to such report disclosed	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Type of the auditor's opinion	Unmodified opinion
Material weaknesses in internal control not related to financial reporting	None

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

Yes  No

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

Yes  No

## Part IX Corporate Bonds

### I General Information of Corporate Bonds

Bond name	Abbr.	Bond code	Value date	Maturity	Balance (RMB'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	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	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	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 1)	17TCL01	112518	19 April 2017	19 April 2022	1,000,000	4.80%	Interest payable annually and principal repayable in full upon maturity
TCL Corporation's Corporate Bonds Publicly Offered in 2017 to Qualified Investors (Phase 2)	17TCL02	112542	7 July 2017	7 July 2022	3,000,000	4.93%	Interest payable annually and principal repayable in full upon maturity
TCL Corporation's	18TCL01	112717	6 June 2018	6 June 2023	1,000,000	5.48%	Interest payable

Corporate Bonds Publicly Offered in 2018 to Qualified Investors (Phase 1)							annually and principal repayable in full upon maturity
TCL Corporation's Corporate Bonds Publicly Offered in 2018 to Qualified Investors (Phase 2)	18TCL02	112747	20 August 2018	20 August 2023	2,000,000	5.3%	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	<ol style="list-style-type: none"> <li>1. The interest for the period from 16 March 2017 to 15 March 2018 on "16TCL01" and "16TCL02" was paid on 16 March 2018.</li> <li>2. The interest for the period from 19 April 2017 to 18 April 2018 on "17TCL01" was paid on 19 April 2018.</li> <li>3. The interest for the period from 7 July 2017 to 6 July 2018 on "16TCL03" was paid on 9 July 2018.</li> <li>4. The interest for the period from 7 July 2017 to 6 July 2018 on "17TCL02" was paid on 9 July 2018.</li> </ol>						
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	<ol style="list-style-type: none"> <li>1. TCL Corporation's Corporate Bonds Publicly Offered in 2017 to Qualified Investors (Phase 1) is of a five-year term, with the issuer's call option, the issuer's coupon rate adjustment option and the investors' sell-back option at the end of the third year. The interest payment day is April 19 from 2018 to 2022 (the subsequent first trading day if it is a statutory holiday or rest day, with no additional interest for the postponement). If an investor chooses to exercise the sell-back option, the interest payment day for the sold-back bonds is April 19 from 2018 to 2020 (the subsequent first trading day if it is a statutory holiday or rest day, with no additional interest for the postponement).</li> <li>2. TCL Corporation's Corporate Bonds Publicly Offered in 2017 to Qualified Investors (Phase 2) is of a five-year term, with the issuer's call option, the issuer's coupon rate adjustment option and the investors' sell-back option at the end of the third year. The interest payment day is July 7 from 2018 to 2022 (the subsequent first trading day if it is a statutory holiday or rest day, with no additional interest for the postponement). If an investor chooses to exercise the sell-back option, the interest payment day for the sold-back bonds is July 7 from 2018 to 2020 (the subsequent first trading day if it is a statutory holiday or rest day, with no additional interest for the postponement).</li> <li>3. TCL Corporation's Corporate Bonds Publicly Offered in 2018 to Qualified Investors (Phase 1) is of a five-year term, with the issuer's call option, the issuer's coupon rate adjustment option and the investors' sell-back option at the end of the third year. The interest payment day is June 6 from 2019 to 2023 (the subsequent first trading day if it is a statutory holiday or rest day, with no additional interest for the postponement). If an investor chooses to exercise the sell-back option, the interest payment day for the sold-back bonds is June 6 from 2019 to 2021 (the subsequent first trading day if it is a statutory holiday or rest day, with no additional interest for the postponement).</li> <li>4. TCL Corporation's Corporate Bonds Publicly Offered in 2018 to Qualified Investors (Phase 2) is of a five-year term, with the issuer's call option, the issuer's coupon rate adjustment option and the investors' sell-back option at the end of the third year. The interest payment day is August 20 from 2019 to 2023 (the subsequent first trading day if it is a statutory holiday or rest day, with no additional interest for the postponement). If an investor chooses to exercise the sell-back option, the interest payment day for the sold-back bonds is August 20 from 2019 to 2021 (the subsequent first trading day if it is a statutory holiday or rest day, with no additional interest for the postponement).</li> </ol>						

## II Bond Trustee and Credit Rating Agency

Bond trustee:

Name	Guotai Junan Securities Co., Ltd.	Office address	35/F, New World Center, 6009 Yitian Road, Shenzhen, Guangdong Province	Contact person	Zhang Chongzhen	Tel.	0755-23976367
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), the Escrow Account Agreement for the Funds Raised through TCL Corporation's Corporate Bonds Publicly Offered in 2018 to Qualified Investors (Phase 1) and the Escrow Account Agreement for the Funds Raised through TCL Corporation's Corporate Bonds Publicly Offered in 2018 to Qualified Investors (Phase 2) 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) 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.

According to 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.

According to the Credit Rating Report on TCL Corporation’s Corporate Bonds Publicly Offered in 2018 to Qualified Investors (Phase 2) issued by China Chengxin Securities Rating Co., Ltd. on 9 August 2018, TCL Corporation was rated AAA with a “Stable” outlook, and the said bonds were also rated AAA.

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

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

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

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

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

No such cases in the Reporting Period.

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

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

any kind with the Company.

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

Item	2018	2017	Change (%)
EBITDA (RMB'000)	14,095,910	13,395,050	5.24%
Current ratio	1.02	1.11	-9.0%
Debt/asset ratio (%)	68.42	66.22	Up by 2.2 percentage points
Quick ratio	0.67	0.77	Down by 10 percentage points
Debt/EBITDA ratio	0.11	0.13	-2%
Interest cover (times)	2.4	2.76	-13.0%
Cash-to-interest cover (times)	5.46	5.66	-3.7%
EBITDA-to-interest cover (times)	5.53	5.98	-7.5%
Debt repayment ratio (%)	100.00	100.00	0.00%
Interest payment ratio (%)	100.00	100.00	0.00%

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

No.	Bond abbreviation	Principal amount	Issue date	Maturity	Coupon rate	Principal repayment and interest payment
1	13TCL-MTN1	RMB500 million	2013-1-17	5 years	6.05%	Repaid in full on time
2	15TCL-MTN001	RMB500 million	2015-4-1	5 years	5.50%	The interest for the period from 2 April 2017 to 1 April 2018 was paid on 2 April 2018
3	13TCL-MTN002	RMB500 million	2013-8-20	5 years	6.20%	Repaid in full on time

Note: The principal repayments and interest payment during the Reporting Period shall be disclosed for any other bonds or debt financing instruments.

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

The Company operates in compliance, with a fine credit reputation, strong profitability and a great ability to repay debt. Additionally, it maintains a long-term partnership with the China Development Bank, The Export-Import Bank of China, the Industrial and Commercial Bank of China, etc. As at 31 December 2018, the credit lines granted by the major bank partners to the Company totaled RMB185.568 billion, with RMB62.123 billion utilized and RMB123.445 billion left.

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

## **XI 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.

## **XII Significant Events during the Reporting Period**

The major asset sale & related-party transaction report was approved at the 13<sup>th</sup> Meeting of the 6<sup>th</sup> Board on 7 December 2018, and later at the First Extraordinary General Meeting of 2019 on 7 January 2019. The major asset sale is currently progressing as scheduled. The transaction price is RMB4.76 billion, not exceeding 10% of the consolidated equity as at 31 December 2018. Therefore, this asset sale is not expected to have a material negative impact on the Company's ability to meet its debt obligations.

## **XIII Guarantor for Corporate Bonds**

Yes  No

**TCL Corporation**  
**Independent Auditor's Report**

**Da Hua Shen Zi [2019] No. 000188**

Da Hua Certified Public Accountants (Special General Partnership)



# TCL Corporation

## Independent Auditor's Report and Financial Statements

(For the year from 1 January 2018 to 31 December 2018)

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## Independent Auditor's Report

Da Hua Shen Zi [2019] No. 000188

### To the Shareholders of TCL Corporation

#### I Opinion

We have audited the financial statements of TCL Corporation (the “Company”), which comprise the consolidated and parent company (the Company as the parent exclusive of subsidiaries) balance sheets as at 31 December 2018, the consolidated and parent company statements of income, cash flows and changes in shareholders’ equity for the year then ended, as well as the notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated and parent company financial position of the Company at 31 December 2018, and the consolidated and parent company operating results and cash flows for the year then ended, in conformity with the Chinese Accounting Standards (CAS).

#### II Basis for Opinion

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

#### III Key Audit Matters

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

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

1. Impairment of accounts receivable
2. Inventory impairment
3. Revenue recognition

## **(I) Impairment of accounts receivable**

### **1. Matter description**

Please refer to the accounting policies as stated in 12. “Recognition criteria and withdrawal method of bad debt provision of accounts receivable” under Note II to the financial statements and in 3. Accounts receivable under Note IV to the financial statements. As at December 31, 2018, the book value of accounts receivable was RMB13.6 billion, which accounted for around 7% of the total assets and was classified as key assets.

The management conducted credit risk assessment separately on key accounts on a periodic basis. In such assessment, focus was placed on the customer’s historical settlement records and current payment capacity and consideration was given to specific information of the customer itself and of its industrial economic environment. In respect of the accounts receivable which did not need separate assessment or showed no impairment in separate assessment, the management had carried out combined impairment assessment on the basis of considering the account age analysis of such customer groups and historical records of impairment losses.

As the recognition of the recoverability of accounts receivable requires the management to identify the matters with impairment and objective evidence, evaluate the expected future obtainable cash flow and recognize its present value, which involves the management’s adoption of significant accounting estimation and judgement, and the recoverability of accounts receivable is important to the financial statements, we identify the recoverability of accounts receivable as a key audit matter.

### **2. Audit response**

The important audit procedures we carried out in respect of the impairment items of accounts receivable include:

(1) We understood, evaluated and tested the design and operation of internal control in respect of the routine management and recoverability assessment of accounts receivable. The internal control included assessment of customers’ credit risk, process of recovering accounts receivable, identification of events triggering impairment of

accounts receivable and assessment of the amount of bad debt provision;

(2) We reviewed the management's judgement and estimation in assessing the recoverability of accounts receivable and paid attention to whether the management had fully identified items with impairment. During the process, we gave consideration to previous payment modes, the actual compliance of credit terms and our understanding of the operating environment and industrial benchmark (especially account age and overdue accounts receivable);

(3) We compared the accounting estimation of bad debt provision in the previous period with the actual bad debt losses and the reversal and withdrawal of bad debt provision in this period to evaluate the reliability and historical accuracy of the management's judgement on the recoverability of accounts receivable and inquired about any significant differences with the management.

(4) In respect of accounts receivable with the withdrawal of bad debt provision in accordance with the portfolio of credit risk characteristics, we recalculated the amount of the withdrawal of bad debt provision based on the bad debt policies to review the accuracy of the amount.

(5) We obtained the detailed analysis of the assessment of key accounts' credit risk, conducted random impairment tests on the accounts receivable with significant individual amounts and separate withdrawal of bad debt provision, and reviewed the basis on which the management had evaluated the expected future obtainable cash flow to verify the withdrawal time point of bad debt provision and reasonableness of amount;

(6) We executed independent confirmation procedures in respect of important accounts receivable and carried out substitute audit procedures on the accounts with no replies, including conducting post-period collection tests;

Based on the audit work executed, we believe that the management's judgement and estimation in respect of the recoverability of accounts receivable are reasonable.

## **(II) Inventory impairment**

### **1. Matter description**

Please refer to the accounting policies as stated in 13. "Inventory" under Note II to the financial statements and 7. Inventory under Note IV to the financial statements. The book value of inventory was around RMB19.9 billion, which was an increase of about 54% from the previous period.

The Company must maintain certain inventories of raw materials and products to ensure stable supply. With the accelerated update of LCD module industry and household appliance products, there is a risk of electronic products going outdated. Meanwhile, as manufactured products may not satisfy consumers' preference, there is a risk of dead inventory. The recognition of provision for falling prices in inventory depends on the estimation of the net realizable value of inventory, the recognition of which requires the management to make significant judgement and analysis on such factors as the future sale price of inventory and the costs to be incurred until completion. Therefore, we identify the provision for falling prices in inventory as a key audit matter.

## **2. Audit response**

The important audit procedures we carried out in respect of inventory impairment include:

- (1) We understood and assessed whether the management's design and operation of key internal control in respect of inventory management were effective or not;
- (2) We assessed important assumptions and evaluations involved in the management's calculation of the net realizable value, such as the inspection of proof documents for sales price and costs incurred until completion, sales expenses and relevant taxes;
- (3) We executed examination, recalculation and other audit procedures, especially recalculation of the data related to the net realizable value of inventory;
- (4) We obtained the list of inventory age in respect of the Company's inventory. Based on the product status, we conducted analytical review on inventories of an old age and analyzed whether the withdrawal of provision for falling prices in inventory was reasonable;
- (5) We implemented supervision and random checking on closing inventory to examine whether there were mass outdated and old-aged inventories;
- (6) We compared key inventory indicators such as inventory turnover ratio and falling price ratio of inventory with the average industrial level to analyze the overall reasonableness;

Based on the audit work executed, we believe that the management's judgement and estimation in respect of inventory impairment are reasonable.

## **(III) Revenue recognition**

## 1. Matter description

Please refer to the accounting policies as stated in 26. “Revenue recognition” under Note II to the financial statements and 42. Operating revenue under Note IV to the financial statements. The Company’s operating revenue for the current period was approximately RMB113.4 billion, which was an increase of around 2% from the previous period.

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

## 2. Audit response

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

- (1) We understood and assessed whether the management’s design and operation of key internal control in respect of revenue recognition were effective or not;
- (2) We understood and assessed whether the management’s selection and implementation of the policies related to revenue recognition complied with the accounting standards for business enterprises;
- (3) We selected samples of recorded transactions with revenue for the year and examined relevant documents involved during the transaction process, including outbound delivery orders, customers’ receipt records, sale invoices and fund receipt proofs to verify the authenticity of the transactions. In respect of export sales revenue, we obtained the customs’ export data for 2018 to verify against the book records of export sales revenue and conducted tests on the payment of key accounts;
- (4) We selected samples of the recorded transactions with revenue around the balance sheet data and examined outbound delivery orders and other supporting documents to assess whether the revenue had been recorded into the appropriate accounting period;
- (5) We obtained the Company’s sale list for the year and carried out analysis procedures on the operating revenue to determine the reasonableness of changes in the revenue and gross profit margin for the current period;
- (6) We executed confirmation procedures with key accounts and inquired about the

sales amount and the current account balance incurred for the current period to verify the authenticity and completeness of the sales revenue; we carried out substitute audit procedures on the accounts with no replies, including conducting post-period collection tests;

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

#### **IV Other Information**

The Company's management is responsible for the other information. The other information comprises all of the information included in the Company's 2018 Annual Report other than the financial statements and our auditor's report thereon.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

## **VI Auditor's Responsibilities for Audit of Financial Statements**

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
4. Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required by CAS to draw users' attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements,



including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Da Hua Certified Public Accountants (Special  
General Partnership)

Beijing China

Chinese CPA: Zhang Yuanyuan

(Engagement Partner)

Chinese CPA: Li Bingxin

19 March 2019

*TCL Corporation*  
*Consolidated Balance Sheet*  
*(RMB '000)*

Assets:	Note IV	31 December 2018	31 December 2017
<b>Current assets:</b>			
Monetary capital	1	26,801,343	27,459,453
Financial assets at fair value through profit or loss	2	1,137,580	2,231,276
Notes and accounts receivable	3	17,876,580	20,917,572
Factored accounts receivable	4	47,087	46,449
Prepayments	5	1,194,972	910,215
Other receivables	6	5,719,379	3,918,316
Inventories	7	19,887,972	12,946,303
Assets classified as held for sale		18,791	-
Other current assets	8	7,624,097	11,666,323
<b>Total current assets</b>		<b>80,307,801</b>	<b>80,095,907</b>
<b>Non-current assets:</b>			
Loans and advances to customers	9	1,123,800	555,133
Available-for-sale financial assets	10	4,270,845	3,202,055
Long-term equity investments	11	16,957,109	15,352,014
Investment property	12	1,676,211	859,890
Fixed assets	13	35,983,131	32,597,979
Construction in progress	14	38,924,586	14,775,237
Intangible assets	15	5,954,873	6,372,511
R&D expense	16	1,011,504	872,804
Goodwill	17	357,112	420,534
Long-term prepaid expense	18	1,861,333	929,124
Deferred income tax assets	19	797,882	871,843
Other non-current assets	20	3,537,756	3,388,953
<b>Total non-current assets</b>		<b>112,456,142</b>	<b>80,198,077</b>
<b>Total assets</b>		<b>192,763,943</b>	<b>160,293,984</b>

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

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

*TCL Corporation*  
*Consolidated Balance Sheet (Continued)*  
*(RMB '000)*

Liabilities and shareholders' equity:	Note IV	31 December 2018	31 December 2017
<b>Current liabilities:</b>			
Short-term borrowings	21	13,240,637	15,990,105
Factorage financings	4	47,087	46,449
Borrowings from central bank	22	231,404	39,997
Customer deposits and interbank deposits	23	545,053	310,875
Financial liabilities at fair value through profit or loss	24	212,097	442,942
Notes and accounts payable	25	27,015,286	21,385,720
Advances from customers	26	1,460,773	1,307,900
Payroll payable	27	2,891,393	2,292,668
Taxes payable	28	716,534	1,273,792
Other payables	29	23,120,774	17,154,753
Short-term commercial papers payable	30	2,000,000	-
Current portion of non-current liabilities	31	6,009,915	5,927,528
Other current liabilities	32	1,344,451	6,075,073
<b>Total current liabilities</b>		<b>78,835,404</b>	<b>72,247,802</b>
<b>Non-current liabilities:</b>			
Long-term borrowings	33	36,864,923	20,283,381
Bonds payable	34	12,985,628	10,497,248
Long-term payables	35	73,902	76,309
Long-term payroll payable	27	24,246	25,519
Deferred income	36	2,637,229	2,664,877
Deferred income tax liabilities	19	440,352	271,157
Other non-current liabilities		30,586	84,755
<b>Total non-current liabilities</b>		<b>53,056,866</b>	<b>33,903,246</b>
<b>Total liabilities</b>		<b>131,892,270</b>	<b>106,151,048</b>
<b>Shareholders' equity:</b>			
Share capital	37	13,549,649	13,514,972
Capital reserves	38	5,996,741	5,940,471
Less: Treasury stock		63,458	-
Other comprehensive income	56	(1,174,162)	219,272
Surplus reserves	39	2,184,261	1,494,300
General reserve	40	361	361
Retained earnings	41	10,000,973	8,577,688
<b>Total equity attributable to shareholders of the Company as the parent</b>		<b>30,494,365</b>	<b>29,747,064</b>
Non-controlling interests		30,377,308	24,395,872
<b>Total shareholders' equity</b>		<b>60,871,673</b>	<b>54,142,936</b>
<b>Total liabilities and shareholders' equity</b>		<b>192,763,943</b>	<b>160,293,984</b>

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

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

*TCL Corporation*  
*Consolidated Income Statement*  
*(RMB '000)*

	Note IV	2018	2017
1. Revenue		113,447,438	111,727,442
Including: Operating revenue	42	113,360,076	111,577,362
Interest income	43	<u>87,362</u>	<u>150,080</u>
2. Costs and expenses		<u>113,699,686</u>	<u>111,704,484</u>
Including: Cost of sales	42	92,605,589	88,663,843
Interest expense	43	72,248	79,421
Taxes and surcharges	44	661,262	665,342
Selling expense		8,887,021	9,511,064
Administrative expense		4,299,607	4,696,716
R&D expense		4,677,579	4,759,324
Finance costs	45	973,261	1,665,275
Including: Interest expense		1,782,408	1,800,106
Interest income		621,949	485,953
Asset impairment loss	46	1,523,119	1,663,499
Add: Other income	47	2,218,718	1,379,941
Return on investment	48	2,167,254	2,438,692
Including: Share of profit or loss of joint ventures and associates		1,360,268	1,098,218
Gain on changes in fair value	49	(3,879)	309,429
Asset disposal income	50	10,071	(15,793)
Foreign exchange gain	43	(47,714)	(22,303)
3. Operating profit		4,092,202	4,112,924
Add: Non-operating income	51	956,809	840,251
Less: Non-operating expense	52	104,631	163,435
4. Profit before tax		4,944,380	4,789,740
Less: Income tax expense	53	<u>879,182</u>	<u>1,245,038</u>
5. Net profit		<u>4,065,198</u>	<u>3,544,702</u>
5.1 By operational continuity			
Net profit from continuing operations		4,065,198	3,544,702
Net profit from discontinued operations		-	-
5.2 By ownership			
Net profit attributable to owners of the Company as the parent		3,468,211	2,664,395
Net profit attributable to non-controlling interests		596,987	880,307
6. Other comprehensive income, net of tax	54	(1,663,194)	1,722,346
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		(1,663,194)	1,722,346
7. Total comprehensive income		<u>2,402,004</u>	<u>5,267,048</u>
Attributable to shareholders of the Company as the parent		2,074,777	4,248,830
Attributable to non-controlling interests		327,227	1,018,218
8. Earnings per share	55		
8.1 Basic earnings per share (RMB yuan/share)		0.2566	0.2178
8.2 Diluted earnings per share (RMB yuan/share)		0.2562	0.2178

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

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

*TCL Corporation*  
*Consolidated Cash Flow Statement*  
*(RMB '000)*

	Note IV	2018	2017
1. Cash flows from operating activities:			
Proceeds from sale of commodities and rendering of services		123,443,026	117,699,317
Net increase/(decrease) in customer deposits and interbank deposits		234,178	90,222
Net increase/(decrease) in borrowings from central bank		191,407	26,685
Interest, handling charges and commissions received		88,208	150,524
Tax rebates		4,003,111	5,792,204
Cash generated from other operating activities	56	2,141,672	3,354,627
Subtotal of cash generated from operating activities		130,101,602	127,113,579
Payments for commodities and services		(90,509,473)	(83,491,509)
Net increase/(decrease) in loans and advances to customers		(1,068,789)	(508,082)
Net increase/(decrease) in deposits in central bank and in interbank loans granted		3,076,532	(2,493,199)
Cash paid to and for employees		(10,174,024)	(9,335,172)
Taxes paid		(5,000,449)	(3,461,888)
Cash used in other operating activities	57	(15,938,820)	(18,614,114)
Subtotal of cash used in operating activities		(119,615,023)	(117,903,964)
Net cash generated from/used in operating activities	58	10,486,579	9,209,615
2. Cash flows from investing activities:			
Proceeds from disinvestment		58,385,497	27,264,643
Return on investment		1,309,354	1,001,388
Net proceeds from disposal of fixed assets, intangible assets and other long-lived assets		81,287	164,909
Cash generated from other investing activities		1,562	-
Net proceeds from disposal of subsidiaries or other business units		281,174	165,604
Subtotal of cash generated from investing activities		60,058,874	28,596,544
Payments for acquisition of fixed assets, intangible assets and other long-lived assets		(32,798,364)	(15,656,963)
Payments for investments		(55,491,053)	(29,796,469)
Net payments for acquisition of subsidiaries and other		-	(63,645)
Cash decreased by non-consolidated subsidiaries		-	(4,628)
Subtotal of cash used in investing activities		(88,289,417)	(45,521,705)
Net cash generated from/used in investing activities		(28,230,543)	(16,925,161)

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

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

*TCL Corporation*  
*Consolidated Cash Flow Statement*  
*(RMB '000)*

	Note IV	2018	2017
3. Cash flows from financing activities:			
Capital contributions received		7,759,258	3,988,742
Including: Capital contributions by non-controlling interests to subsidiaries		7,695,800	3,988,742
Borrowings obtained		50,564,652	42,829,609
Net proceeds from issuance of bonds		5,000,000	4,000,000
Cash generated from other financing activities		-	602,120
Subtotal of cash generated from financing activities		<u>63,323,910</u>	<u>51,420,471</u>
Repayment of borrowings		(38,554,966)	(39,733,145)
Payments for interest and dividends		(4,144,148)	(3,002,297)
Including: Dividends paid by subsidiaries to non-controlling interests		(411,272)	(296,069)
Cash used in other financing activities	59	<u>(584,974)</u>	<u>(132,900)</u>
Subtotal of cash used in financing activities		<u>(43,284,088)</u>	<u>(42,868,342)</u>
Net cash generated from/used in financing activities		<u>20,039,822</u>	<u>8,552,129</u>
4. Effect of foreign exchange rate changes on cash and cash equivalents		<u>125,357</u>	<u>(1,371,070)</u>
5. Net increase in cash and cash equivalents		2,421,215	(534,487)
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	60	<u>25,702,384</u>	<u>23,281,169</u>

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

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

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

	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	56,270	(63,458)	(1,393,434)	689,961	-	1,423,285	5,981,436	6,728,737
3.1 Total comprehensive income	-	-	-	(1,393,434)	-	-	3,468,211	327,227	2,402,004
3.2 Capital increased and reduced by shareholders	34,677	56,270	(63,458)	-	-	-	-	7,127,793	7,155,282
3.2.1 Capital increased by shareholders	-	-	-	-	-	-	-	7,127,793	7,127,793
3.2.2 Share-based payments included in shareholders' equity	34,677	28,781	(63,458)	-	-	-	-	-	-
3.2.3 Other	-	27,489	-	-	-	-	-	-	27,489
3.3 Profit distribution	-	-	-	-	689,961	-	(2,044,926)	(1,473,584)	(2,828,549)
3.3.1 Appropriation to surplus reserves	-	-	-	-	689,961	-	(689,961)	-	-
3.3.2 Appropriation to shareholders	-	-	-	-	-	-	(1,354,965)	(1,109,311)	(2,464,276)
3.3.3 Other	-	-	-	-	-	-	-	(364,273)	(364,273)
3.4 Transfers within owners' equity	-	-	-	-	-	-	-	-	-
3.4.1 Increase in capital (or share capital) from capital reserves	-	-	-	-	-	-	-	-	-
3.4.2 Increase in capital (or share capital) from surplus reserves	-	-	-	-	-	-	-	-	-

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

3.4.3 Other	-	-	-	-	-	-	-	-	-
4. Balances as at end of the period	<u>13,549,649</u>	<u>5,996,741</u>	<u>(63,458)</u>	<u>(1,174,162)</u>	<u>2,184,261</u>	<u>361</u>	<u>10,000,973</u>	<u>30,377,308</u>	<u>60,871,673</u>

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



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

	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	<u>13,514,972</u>	<u>5,940,471</u>	<u>-</u>	<u>219,272</u>	<u>1,494,300</u>	<u>361</u>	<u>8,577,688</u>	<u>24,395,872</u>	<u>54,142,936</u>

Legal  
representative:

Li Dongsheng

Person-in-charge of financial  
affairs:

Du Juan

Person-in-charge of the  
financial department:

Xi Wenbo

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

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

Assets:	Note XII	31 December 2018	31 December 2017
<b>Current assets:</b>			
Monetary capital		1,328,707	1,116,725
Financial assets at fair value through profit or loss		711,741	1,543,844
Notes and accounts receivable	1	215,456	363,380
Prepayments		187,895	30,648
Other receivables	2	18,773,353	13,640,338
Inventories		826	803
Other current assets		<u>1,873,962</u>	<u>3,065,895</u>
<b>Total current assets</b>		<u>23,091,940</u>	<u>19,761,633</u>
<b>Non-current assets:</b>			
Available-for-sale financial assets	3	1,185,430	1,224,518
Long-term equity investments	4	41,803,450	34,983,565
Investment property		5,158	15,339
Fixed assets		40,058	46,319
Construction in progress		552	1,668
Intangible assets		18,776	26,367
Long-term prepaid expense		<u>461,056</u>	<u>466,049</u>
<b>Total non-current assets</b>		<u>43,514,480</u>	<u>36,763,825</u>
<b>Total assets</b>		<u>66,606,420</u>	<u>56,525,458</u>

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

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

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

Liabilities and shareholders' equity	Note XII	31 December 2018	31 December 2017
<b>Current liabilities:</b>			
Short-term borrowings		3,300,260	5,675,260
Notes and accounts payable		376,509	309,900
Advances from customers		38,615	81
Payroll payable		98,753	35,789
Taxes payable		3,437	51,544
Other payables		6,407,742	6,237,742
Short-term commercial papers payable		2,000,000	-
Current portion of non-current liabilities		3,000,003	2,422,940
<b>Total current liabilities</b>		<b>15,225,319</b>	<b>14,733,256</b>
<b>Non-current liabilities:</b>			
Long-term borrowings		5,340,956	3,840,956
Bonds payable		12,985,628	10,497,248
Long-term payables		700	1,909
Long-term payroll payable		24,246	25,519
Deferred income		51,506	41,953
<b>Total non-current liabilities</b>		<b>18,403,036</b>	<b>14,407,585</b>
<b>Total liabilities</b>		<b>33,628,355</b>	<b>29,140,841</b>
<b>Shareholders' equity:</b>			
Share capital		13,549,649	13,514,972
Capital reserves		8,565,338	8,476,523
Less: Treasury stock		63,458	-
Surplus reserves		1,982,197	1,292,236
Retained earnings		8,969,209	4,114,531
Other comprehensive income		(24,870)	(13,645)
<b>Total shareholders' equity</b>		<b>32,978,065</b>	<b>27,384,617</b>
<b>Total liabilities and shareholders' equity</b>		<b>66,606,420</b>	<b>56,525,458</b>

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

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

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

	Note XII	2018	2017
1. Operating revenue	5	2,055,950	1,611,509
Less: Cost of sales	5	1,854,623	1,523,290
Taxes and surcharges		6,951	4,067
Selling expense		29,160	21,458
Administrative expense		368,820	256,962
R&D expense		123,609	98,134
Finance costs		634,124	814,496
Including: Interest expense		1,330,315	1,117,611
Interest income		652,821	307,476
Asset impairment loss		41,872	66,186
Add: Other income		8,000	4,060
Return on investment	6	7,126,393	4,696,511
Including: Share of profit or loss of joint ventures and associates	6	931,721	599,872
Gain on changes in fair value		(54,003)	(8,168)
Asset disposal income		22,238	1,366
		<hr/>	<hr/>
2. Operating profit		6,099,419	3,520,685
Add: Non-operating income		809,277	665,005
Less: Non-operating expense		9,092	30,297
		<hr/>	<hr/>
3. Profit before tax		6,899,604	4,155,393
Less: Income tax expense		-	-
		<hr/>	<hr/>
4. Net profit		6,899,604	4,155,393
		<hr/>	<hr/>
5. Other comprehensive income		(11,225)	(44,515)
		<hr/>	<hr/>
6. Total comprehensive income		6,888,379	4,110,878
		<hr/>	<hr/>

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

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

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

	Note XII	2018	2017
1. Cash flows from operating activities:			
Proceeds from sale of commodities and rendering of services		2,346,705	1,993,629
Interest, handling charges and commissions received		498	267
Cash generated from other operating activities		<u>2,000,914</u>	<u>2,910,360</u>
Subtotal of cash generated from operating activities		<u>4,348,117</u>	<u>4,904,256</u>
Payments for commodities and services		(2,442,452)	(1,892,558)
Cash paid to and for employees		(179,932)	(119,600)
Taxes paid		(35,117)	(12,205)
Cash used in other operating activities		<u>(6,590,572)</u>	<u>(3,037,862)</u>
Subtotal of cash used in operating activities		<u>(9,248,073)</u>	<u>(5,062,225)</u>
Net cash generated from/used in operating activities	7	<u>(4,899,956)</u>	<u>(157,969)</u>
2. Cash flows from investing activities:			
Proceeds from disinvestment		48,308,442	14,645,798
Return on investment		5,314,308	1,607,303
Net proceeds from disposal of fixed assets, intangible assets and other long-lived assets		<u>242,768</u>	<u>4,814</u>
Subtotal of cash generated from investing activities		<u>53,865,518</u>	<u>16,257,915</u>
Payments for acquisition of fixed assets, intangible assets and other long-lived assets		(11,466)	(18,398)
Payments for investments		<u>(50,693,136)</u>	<u>(16,211,344)</u>
Subtotal of cash used in investing activities		<u>(50,704,602)</u>	<u>(16,229,742)</u>
Net cash generated from/used in investing activities		<u>3,160,916</u>	<u>28,173</u>

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

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

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

	Note XII	2018	2017
3. Cash flows from financing activities:			
Capital contributions received		63,458	-
Borrowings obtained		9,771,712	15,206,136
Net proceeds from issuance of bonds		5,000,000	4,000,000
Cash generated from other financing activities		-	8,000
Subtotal of cash generated from financing activities		<u>14,835,170</u>	<u>19,214,136</u>
Repayment of borrowings		(10,569,652)	(19,915,167)
Payments for interest and dividends		(2,364,333)	(2,979,396)
Cash used in other financing activities		(2,937)	(3,611)
Subtotal of cash used in financing activities		<u>(12,936,922)</u>	<u>(22,898,174)</u>
Net cash generated from/used in financing activities		<u>1,898,248</u>	<u>(3,684,038)</u>
4. Effect of foreign exchange rate changes on cash and cash equivalents			
		<u>62,974</u>	<u>14,285</u>
5. Net increase in cash and cash equivalents			
		222,182	(3,799,549)
Add: Cash and cash equivalents, beginning of the period		<u>1,106,497</u>	<u>4,906,046</u>
6. Cash and cash equivalents, end of the period			
	8	<u>1,328,679</u>	<u>1,106,497</u>

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

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

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

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

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

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

	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	12,213,682	4,724,955	-	30,871	876,697	1,351,771	19,197,976
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	13,514,972	8,476,523	-	(13,645)	1,292,236	4,114,531	27,384,617

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

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



*TCL Corporation*  
*Notes to Financial Statements*  
*(For the period from 1 January 2018 to 31 December 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 ZJXX [2009] Document No. 12, the Company privately placed 350,600,000 ordinary shares denominated in RMB (A shares) to designated investors on 23 April 2009, with a par value of RMB1 and an issue price of RMB2.58 per share, raising a total of RMB904,548,000. Upon the completion of this deal, the registered capital of the Company increased from RMB2,586,331,144 to RMB2,936,931,144, and on 2 June 2009, the Company was approved by Guangdong Province Administration for Industry and Commerce to change its business license to Business License No. 440000000011990.

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

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

*TCL Corporation*  
*Notes to Financial Statements*  
*(For the period from 1 January 2018 to 31 December 2018)*  
*(The amounts in tables are expressed in thousands of RMB)*

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

*TCL Corporation*  
*Notes to Financial Statements*  
*(For the period from 1 January 2018 to 31 December 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 31 December 2018, the total issued share capital of the Company was 13,549,648,507 shares. Please refer to Note IV, 37 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 31 December 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 19 March 2019.

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 31 December 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 31 December 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

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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



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

10 Foreign currency business and translation of foreign currency statement

(1) Foreign currency transactions

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

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

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

(2) Translation of foreign currency financial statement

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

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

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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

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of recognition, the Company will keep the recognition of the transferred financial assets and recognize the consideration received as a financial liability.

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

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

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

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

The Company determines the fair value of financial instruments with active markets by the quoted prices in active markets. For financial instruments without active market, the Company determines the fair value by valuation techniques. In the valuation, the 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 reliably way, or derivative financial assets that are linked to, and required to be settled by delivery of the equity instruments, are not reversed.

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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

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Company and its subsidiaries based on actual conditions, including but not limited to industry 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.

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

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

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



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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

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

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

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II Significant accounting policies and accounting estimates (continued)

16 Fixed assets

(1) Recognition criteria for fixed assets

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

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

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

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

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

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

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

On the date of the lease starts, the Company recognizes the fair value of the leased asset or the present value of the minimum lease payment as the book value of the leased asset, 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 is analyzed and judged at the time of acquisition. Intangible assets with a finite service life are amortized on the shortest of the estimated service lives, the beneficial period of the contract and the effective period specified by law from the time when the intangible assets are available for use. The amortization period is as follows:

Category

Land use rights

Patents and non-patent technologies

Software usage fee

Other

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

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

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

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

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

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

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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 estimates are handled as follows:

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

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

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

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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 are 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 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

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

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II Significant accounting policies and accounting estimates (continued)

32 Changes in major accounting policies and estimates

None.

33 Correction of previous accounting errors

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

34 Changes to financial statement line items

The Ministry of Finance issued on 15 June 2018 the Notice on Revising and Issuing the Format of the 2018 Annual Financial Statements of General Enterprises (CK [2018] No. 15), combining some balance sheet items and splitting some income statement items; and issued on 7 September 2018 the Interpretations Regarding the Format of the 2018 Annual Financial Statements of General Enterprises, requiring that the refund of the handling charges with regard to individual income tax withholding shall be presented in “other income”, and that the government subsidies received, whether asset-related or income-related, shall be presented under cash flows from operating activities in the cash flow statement.

The Company has prepared the financial statements according to the new requirements for the format of financial statements, and adjusted the comparative data as per the Accounting Standards No. 30 for Business Enterprises—Presentation of Financial Statements.

The effects of the said changes on the financial statement items and amounts of the comparative period are as follows:

Item	31 Decmeber 2017	Effect	1 January 2018
Notes receivable	6,170,349	(6,170,349)	-
Accounts receivable	14,747,223	(14,747,223)	-
Notes and accounts receivable	-	20,917,572	20,917,572
Interest receivable	53,622	(53,622)	-
Dividends receivable	11,103	(11,103)	-
Other receivables	3,853,591	64,725	3,918,316
Notes payable	2,061,471	(2,061,471)	-
Accounts payable	19,324,249	(19,324,249)	-
Notes and accounts payable	-	21,385,720	21,385,720
Interest payable	444,846	(444,846)	-
Dividends payable	47,110	(47,110)	-
Other payables	16,662,797	491,956	17,154,753
Administrative expense	9,456,040	(4,759,324)	4,696,716
R&D expense	-	4,759,324	4,759,324

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III Taxes

1 Value-added tax

Before 1 May 2018, output tax was calculated at 6%, 11% or 17% of the taxable income of general taxpayers and the value added-tax was paid based on the difference after deducting the allowance deduction of input tax in the current period. From 1 May 2018 onwards, output tax is calculated at 6%, 10% or 16% of the taxable income of general taxpayers and the value added-tax is paid based on the difference after deducting the allowance deduction of input tax in the current period. The value added-tax payment for the Group's directly exported goods is executed in accordance with the regulations of "Exemption, Offset and Refund". Before 1 May 2018, the tax refund rate was 0%-17% and from 1 May 2018 onwards, the tax refund rate is 0%-16%.

2 Urban maintenance and construction tax

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

3 Education surcharges

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

4 Dike protection fee

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

5 Property tax

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

6 Corporate income tax

The 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

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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

	31 December 2018			31 December 2017		
	In original currency	Exchange rate	In RMB	In original currency	Exchange rate	In RMB
Cash	-	-	5,065	-	-	4,759
Cash at bank –	-	-	25,702,447	-	-	23,276,412
RMB	19,687,152	1.0000	19,687,152	15,800,948	1.0000	15,800,948
USD	733,139	6.8632	5,031,682	1,072,179	6.5342	7,005,832
HKD	572,877	0.8763	502,012	175,953	0.8358	147,062
EUR	24,717	7.8549	194,150	20,855	7.8035	162,742
RUB	300,870	0.0987	29,696	106,336	0.1135	12,069
Other currencies	-	-	257,755	-	-	147,759
Cash due from central bank	-	-	868,895	-	-	3,945,427
Other monetary capital –	-	-	224,936	-	-	232,855
RMB	224,936	1.0000	224,936	229,302	1.0000	229,302
USD	-	6.8632	-	544	6.5342	3,553
Total			26,801,343			27,459,453

(1) Other Monetary Capital by Nature

	31 December 2018	31 December 2017
Security deposits	204,417	219,320
Other	20,519	13,535
	224,936	232,855

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IV Notes to Consolidated Financial Statements (Continued)

1 Monetary Capital (Continued)

(2) Monetary Capital with Restricted Right of Use:

	31 December 2018	31 December 2017
Accounts receivable factoring	5,128	-
TCL Finance's required reserve with central bank	868,895	3,945,429
Other monetary capital	224,936	232,855
	<u>1,098,959</u>	<u>4,178,284</u>

As at 31 December 2018, among the Company's cash at bank, RMB868,895,000 (31 December 2017: RMB3,945,427,000) was required reserve deposited by subsidiary TCL Finance Co., Ltd. in the central bank.

As at 31 December 2018, the Company's monetary capital abroad equaled RMB4,884,301,000 (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

	31 December 2018	31 December 2017
Derivative financial assets	418,635	687,432
Money management schemes	708,938	1,543,844
Money funds	10,007	-
	<u>1,137,580</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 and Accounts Receivable

	31 December 2018	31 December 2017
Notes receivable	4,272,222	6,170,349
Accounts receivable	13,604,358	14,747,223
	<u>17,876,580</u>	<u>20,917,572</u>

(1) Notes Receivable

	31 December 2018	31 December 2017
Bank acceptance notes	2,372,024	4,081,181
Commercial acceptance notes	1,900,198	2,089,168
	<u>4,272,222</u>	<u>6,170,349</u>

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IV Notes to Consolidated Financial Statements (Continued)

3 Notes and Accounts Receivable (Continued)

As at 31 December 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 RMB0 (31 December 2017: RMB607,000).

(2) Accounts Receivable

	31 December 2018	31 December 2017
Accounts receivable	14,039,251	15,131,490
Less: Allowance for doubtful accounts	434,893	384,267
	13,604,358	14,747,223

(a) Aging Analysis of Accounts Receivable:

	31 December 2018				31 December 2017			
	Amount	As % of total accounts receivable	Allowance for doubtful accounts	Allowan ce ratio	Amount	As % of total accounts receivable	Allowan ce for doubtful accounts	Allowan ce ratio
Within 1 year	13,486,519	96.06%	67,461	0.50%	14,537,233	96.07%	46,177	0.32%
1-2 years	387,369	2.76%	209,259	54.02%	426,154	2.82%	178,727	41.94%
2-3 years	58,823	0.42%	53,830	91.51%	65,432	0.43%	59,214	90.50%
Over 3 years	106,540	0.76%	104,343	97.94%	102,671	0.68%	100,149	97.54%
	14,039,251	100.00%	434,893	3.10%	15,131,490	100.00%	384,267	2.54%

(b) Accounts Receivable by Category:

	31 December 2018				31 December 2017			
	Amount	As % of total accounts receivable	Allowance for doubtful accounts	Allowan ce ratio	Amount	As % of total accoun ts receiv able	Allowance for doubtful accounts	Allowan ce ratio
Accounts receivable with amounts that are individually significant	11,334,393	80.73%	293,209	2.59%	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	-	-	-	-	-	-	-	-



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Other insignificant accounts receivable	2,704,858	19.27%	141,684	5.24%	2,743,406	18.13%	89,694	3.27%
	14,039,251	100.00%	434,893	3.10%	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 equal to over US\$500,000 (inclusive).

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IV Notes to Consolidated Financial Statements (Continued)

3 Accounts Receivable (Continued)

(c) Allowance for Doubtful Accounts Receivable:

	2018	2017
Beginning amount	384,267	314,436
Newly consolidated subsidiaries	3,863	-
Established in the period	302,172	180,199
Reversed in the period	(102,542)	(81,988)
Written off in the period	(143,763)	(16,002)
Newly deconsolidated subsidiaries	(11,418)	(3,184)
Exchange adjustments	2,314	(9,194)
	434,893	384,267
Ending amount	434,893	384,267

(d) As at 31 December 2018, accounts receivable from related parties amounted to RMB525,285,000 (31 December 2017: RMB748,024,000), accounting for 3.74% 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.

(e) Top Five Accounts Receivable on 31 December 2018:

	31 December 2018	31 December 2017
Top five accounts receivable combined	2,694,561	2,102,125
As % of total accounts receivable	19.19%	13.89%

4 Factored Accounts Receivable/Factorage Financings

As at 31 December 2018, RMB47,087,000 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)

5 Prepayments

(1) Analysis of Prepayments:

	31 December 2018	31 December 2017
Within 1 year	1,194,972	910,215

(2) Top Five Prepayments on 31 December 2018:

	31 December 2018	31 December 2017
Top five prepayments combined	578,751	442,136
As % of total prepayments	48.43%	48.57%

(3) As at 31 December 2018, prepayments to related parties amounted to RMB2,935,000 (31 December 2017: RMB29,421,000), accounting for 0.25% of the total prepayments (31 December 2017: 3.23%). And there were no prepayments to any shareholder with a 5% or greater voting stock.

6 Other Receivables

	31 December 2018	31 December 2017
Interest receivable	70,778	53,622
Dividends receivable	47,748	11,103
Other receivables	5,600,853	3,853,591
	5,719,379	3,918,316

(1) Interest Receivable

	31 December 2018	31 December 2017
Interest on bank deposits	70,778	53,622

As at 31 December 2018, interest receivable related parties amounted to RMB5,154,000 (31 December 2017: RMB2,488,000), accounting for 7.28% 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.

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IV Notes to Consolidated Financial Statements (Continued)

6 Other Receivables (Continued)

(2) Dividends Receivable

	31 December 2018	31 December 2017
TV University Online Distance Education Technology Co., Ltd.	47,656	-
SEMP TCL INDUSTRIA E COMERCIO DE ELETROELETRONICOS S.A.	92	88
Xinjiang Dongpeng Weichuang Equity Investment Partnership (Limited Partnership)	-	11,015
	47,748	11,103

(3) Other Receivables

	31 December 2018	31 December 2017
Other receivables	6,026,004	4,290,709
Less: Allowance for doubtful other receivables	425,151	437,118
	5,600,853	3,853,591

(a) Aging Analysis of Other Receivables:

	31 December 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	5,134,601	85.21%	19,585	0.38%	3,557,913	82.92%	21,429	0.60%
1-2 years	343,730	5.70%	84,323	24.53%	238,773	5.56%	96,045	40.22%
2-3 years	300,090	4.98%	125,999	41.99%	329,263	7.67%	193,656	58.81%
Over 3 years	247,583	4.11%	195,244	78.86%	164,760	3.85%	125,988	76.47%
	6,026,004	100.00%	425,151	7.06%	4,290,709	100.00%	437,118	10.19%

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IV Notes to Consolidated Financial Statements (Continued)

6 Other Receivables (Continued)

(b) Other Receivables by Category:

	31 December 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	4,378,244	72.66%	357,079	8.16%	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 grouping basis	-	-	-	-	-	-	-	-
Other insignificant other receivables	1,647,760	27.34%	68,072	4.13%	911,954	21.25%	32,796	3.60%
	<u>6,026,004</u>	<u>100.00%</u>	<u>425,151</u>	<u>7.06%</u>	<u>4,290,709</u>	<u>100.00%</u>	<u>437,118</u>	<u>10.19%</u>

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

(c) Allowance for Doubtful Other Receivables:

	2018	2017
Beginning amount	437,118	369,119
Newly consolidated subsidiaries	249	-
Established in the period	55,818	86,473
Reversed in the period	(37,647)	(763)
Written off in the period	(55,195)	(1,818)
Newly deconsolidated subsidiaries	(1,378)	(14,439)
Exchange adjustments	26,186	(1,454)
Ending amount	<u>425,151</u>	<u>437,118</u>

(d) As at 31 December 2018, other receivables from related parties amounted to RMB581,924,000 (31 December 2017: RMB350,617,000), accounting for 9.66% 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.

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IV Notes to Consolidated Financial Statements (Continued)

6 Other Receivables (Continued)

(e) Top Five Other Receivables on 31 December 2018:

	31 December 2018	31 December 2017
Top five other receivables combined	2,015,077	1,546,652
As % of total other receivables	33.44%	36.05%

(f) As at 31 December 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.

7 Inventories

(1) Inventories by Category:

	31 December 2018			31 December 2017		
	Gross amount	Valuation allowance	Carrying amount	Gross amount	Valuation allowance	Carrying amount
Raw materials	3,362,179	361,962	3,000,217	2,995,068	403,182	2,591,886
Unfinished goods	1,157,557	165,335	992,222	939,613	48,590	891,023
Finished goods	11,925,676	251,218	11,674,458	9,254,989	254,119	9,000,870
Revolving materials	400,754	849	399,905	320,350	818	319,532
Moulds	175,131	-	175,131	120,395	116	120,279
Real estate development costs	3,646,039	-	3,646,039	22,713	-	22,713
	<u>20,667,336</u>	<u>779,364</u>	<u>19,887,972</u>	<u>13,653,128</u>	<u>706,825</u>	<u>12,946,303</u>

As at 31 December 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	31 December 2018
Raw materials	403,182	523,553	(102,386)	(443,527)	(18,729)	(131)	361,962
Unfinished goods	48,590	190,581	(8,820)	(64,832)	(184)	-	165,335
Finished goods	254,119	517,143	(120,412)	(376,006)	(26,391)	2,765	251,218

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Revolving materials	818	31	-	-	-	-	849
Moulds	116	-	-	(116)	-	-	-
	<u>706,825</u>	<u>1,231,308</u>	<u>(231,618)</u>	<u>(884,481)</u>	<u>(45,304)</u>	<u>2,634</u>	<u>779,364</u>

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IV Notes to Consolidated Financial Statements (Continued)

8 Other Current Assets

	31 December 2018	31 December 2017
Wealth management instruments (note 1)	2,654,966	4,710,164
VAT to be deducted or approved, etc.	4,056,515	2,075,997
Assets and creditor's rights purchased from non-financial institutions (note 2)	740,381	3,216,620
Currency swaps	99,983	1,633,550
Other	72,252	29,992
	7,624,097	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, financial investments due within 1 year such as personal short-term loans.

9 Loans and Advances to Customers

	31 December 2018	31 December 2017
Loans and advances to customers (note 1)	1,123,800	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.

10 Available-for-Sale Financial Assets

	31 December 2018	31 December 2017
Available-for-sale equity instruments——at fair value (1)	1,917,168	1,159,166
Available-for-sale equity instruments——at cost (2)	2,353,677	2,042,889
	4,270,845	3,202,055



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IV Notes to Consolidated Financial Statements (Continued)

10 Available-for-Sale Financial Assets (Continued)

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

	31 December 2018	31 December 2017
Cost	2,452,730	978,946
Changes in fair value	(438,844)	328,995
Less: impairment allowance	96,718	148,775
	1,917,168	1,159,166

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IV Notes to Consolidated Financial Statements (Continued)

11 Long-Term Equity Investments

	31 December 2018			31 December 2017		
	Gross amount	Impairment allowance	Carrying amount	Gross amount	Impairment allowance	Carrying amount
Unconsolidated subsidiaries (1)	20,373	20,373	-	20,373	20,373	-
Long-term equity investments measured at equity method	17,107,596	150,487	16,957,109	15,471,223	119,209	15,352,014
Including: Associates (2)	16,469,945	133,725	16,336,220	14,806,411	102,447	14,703,964
Joint ventures (3)	637,651	16,762	620,889	664,812	16,762	648,050
	17,127,969	170,860	16,957,109	15,491,596	139,582	15,352,014

As at 31 December 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)

11 Long-Term Equity Investments (Continued)

(1) Unconsolidated Subsidiaries

Investee	The Company's percentage in investee's registered capital	Profit/loss adjustment					31 December 20 18 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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11 Long-Term Equity Investments (Continued)

(2) Associates

Investee	Beginning amount	Increase/decrease in investment in current period	Change in current period					Other increases/decreases	Ending amount
			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	-	899,703	27,863	-	(194,713)	-	-	8,363,564
Hubei Consumer Finance Company	120,343	-	19,943	-	-	-	-	-	140,286
Huan Tech Co., Ltd.	158,042	(1,190)	22,322	-	-	-	-	1,190	180,364
LG Innotek Huizhou Co., Ltd.	81,554	-	10,445	-	-	(10,135)	-	2,038	83,902
Huizhou Shangdian Law Firm Waterway Construction Investment Co., Ltd.	48,081	-	(223)	-	-	-	-	(47,858)	-
Canyon Circuit Technology (Huizhou) Co., Ltd.	-	19,389	5,982	-	-	-	-	(3,286)	22,085
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	53,012	-	(7,978)	-	-	-	-	-	45,034
Ningbo Meishan Bonded Port Renxing Culture Investment Center (Limited Partnership)	8,001	(4,146)	(88)	-	-	-	-	-	3,767
TCL Rechi (Huizhou) Refrigeration Equipment Co., Ltd.	165,465	-	14,980	-	-	(3,333)	-	-	177,112
Wuhan Shangde Plastics Technology Co., Ltd.	5,683	-	285	-	-	-	-	-	5,968
Gaoshengda Holdings (Huizhou) Co., Ltd.	49,733	(3,475)	14,702	-	-	-	-	-	60,960
Beijing WeMed Medical Equipment Co., Ltd.	39,435	-	(3,053)	-	-	-	(31,278)	-	5,104
Million China International Holdings Limited	19,410	(19,225)	(674)	-	-	-	-	489	-
Shenzhen Changcheng Commercial Technology Property Service Co., Ltd.	1,200	-	1,644	-	-	-	-	-	2,844
Amlogic (Shanghai) Limited	146,739	-	18,147	-	-	-	-	(20,297)	144,589
Wealthy Way Group Limited	-	-	-	-	-	-	-	-	-

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IV Notes to Consolidated Financial Statements (Continued)

11 Long-Term Equity Investments (Continued)

(2) Associates (Continued)

Investee	Beginning amount	Increase/decrease in investment in current period	Change in current period					Ending amount	
			Share of profit/loss using equity method	Adjustments of other comprehensive income	Other change in equity	Cash dividends or profits declared	Impairment allowance		Other increases/decreases
SEMP TCL INDUSTRIA E COMERCIO DE ELETRONICOS S.A.	229,558	81,617	6,315	-	-	-	-	10,141	327,631
KAI OS TECHNOLOGIES INC	2,023	(3,983)	-	-	-	-	-	1,960	-
Naturedao Information Science and Technology, Ltd.	2,628	766	(128)	-	-	-	-	(203)	3,063
T2Mobile Limited	20,258	-	2,443	-	-	-	-	(1,089)	21,612
Harvey Holdings Limited	19,689	-	1,298	-	-	-	-	1,274	22,261
Petro AP (Hong Kong) Company Limited	-	-	-	-	-	-	-	-	-
PETRO AP S.A.	-	-	-	-	-	-	-	-	-
Guangdong Regency Optics-Electron Corp.	21,082	(10,000)	(1,544)	-	-	-	-	(9,538)	-
Shenzhen Jucai Supply Chain Technology Co., Ltd.	6,000	-	(842)	-	-	-	-	-	5,158
Shenzhen Thunderbird Network Technology Co.	247,685	30,000	33,085	-	-	-	-	(21,018)	289,752
Jiangxi Broadcasting TV Network E-Commerce Co., Ltd.	1,470	-	10	-	-	-	-	-	1,480
Yizheng Zeyu Electric Light Co., Ltd.	2,537	-	(30)	-	-	-	-	-	2,507
Urumqi TCL Equity Investment Management Co., Ltd.	1,278	-	(230)	-	-	-	-	-	1,048
Wuxi TCL Venture Capital Partnership (Limited Partnership)	53,651	-	(12,408)	51,362	-	-	-	(223)	92,382
Yixing Jiangnan Tianyuan Venture Capital Company (Limited Partnership)	62,471	(21,851)	11,569	(17,139)	-	(12,886)	-	9	22,173
Beijing A Dynamic Investment Consulting Co., Ltd.	517	-	118	-	-	-	-	-	635
Shanghai Gen Auspicious Investment Management Co., Ltd.	288	-	228	-	-	-	-	-	516

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Beijing A Dynamic Venture Capital Center (Limited Partnership)	30,398	(293)	(9,739)	-	-	-	-	-	20,366
Shanghai Chuangxiang Venture Capital Partnership (Limited Partnership)	35,573	(5,080)	(454)	(4,211)	-	-	-	-	25,828

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11 Long-Term Equity Investments (Continued)

(2) Associates (Continued)

Investee	Beginning amount	Increase/decrease in investment in current period	Change in current period						Ending amount
			Share of profit/loss using equity method	Adjustments of other comprehensive income	Other change in equity	Cash dividends or profits declared	Impairment allowance	Other increases/decreases	
Nanjing A Dynamic Equity Investment Fund Management Co., Ltd.	335	50	1	-	-	-	-	-	386
Urumqi TCL Create Dynamic Equity Investment Management Co., Ltd.	781	-	(18)	-	-	-	-	-	763
Nanjing Zijin Chuangdong Investment Partnership (Limited Partnership)	43,022	-	(17,042)	19	-	-	-	2	25,997
Huizhou Kaichuang Venture Investment Partnership (Limited Partnership)	27,648	-	(3,809)	-	-	-	-	-	23,839
Shenzhen Chuangdong New Industry Investment Fund Enterprise (Limited Partnership)	16,810	-	(4,402)	-	-	-	-	-	12,408
Xizang Rongxin Venture Investment Management Co., Ltd.	4,871	(4,900)	163	-	-	(147)	-	13	-
Xizang Rongxing Venture Investment Partnership (Limited Partnership)	961	(1,000)	139	-	-	(100)	-	-	-
Wuxi TCL Aisikai Semiconductor Industry Investment Fund Partnership (Limited Partnership)	64,926	21,211	2,132	-	-	(2,438)	-	290	86,121
Urumqi Qixinda Equity Investment Management Co., Ltd.	734	-	211	-	-	-	-	-	945
Xizang Dongwei Investment Management Center (Limited Partnership)	238	-	(6)	-	-	-	-	-	232
Hubei Changjiang Hezhi Equity Investment Fund Management Co., Ltd.	4,257	-	134	-	-	-	-	-	4,391
Hubei Changjiang Hezhi Equity Investment Fund Partnership (Limited Partnership)	1,051,495	(7,845)	4,232	-	-	-	-	-	1,047,882
Xinjiang Dongpeng Heli Equity Investment Partnership (Limited Partnership)	77,478	45,000	(5,928)	-	-	-	-	-	116,550
Xinjiang Dongpeng Weichuang Equity Investment Partnership (Limited Partnership)	783,751	89,490	124,664	75,030	-	(153,625)	-	37,444	956,754
TCL Nanyang Electric Appliance (Guangzhou) Co., Ltd.	5,077	-	(371)	-	-	-	-	-	4,706

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Qingteng Intellectual Property Holding (Shenzhen) Co., Ltd.	-	4,900	(979)	-	-	-	-	-	-	3,921
Beijing Shangdao Yuetu Technology Co., Ltd.	-	7,686	(408)	-	-	-	-	-	-	7,278



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IV Notes to Consolidated Financial Statements (Continued)

11 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					Ending amount
				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	-	1,474	-	-	-	-	-	15,417
China Merchants Real Estate (Pingshan, Shenzhen) Co., Ltd.	271,985	-	105,137	-	-	-	-	-	377,122
Huizhou Kaimeng Angel Investment Partnership (Limited Partnership)	2,878	-	(9)	-	-	-	-	-	2,869
Shenzhen Jiutian Matrix Investment Management Co., Ltd.	640	-	805	-	-	-	-	-	1,445
AGC New Electronic Display Glass (Shenzhen) Co., Ltd.	16,839	220,580	(16,951)	-	-	-	-	-	220,468
Taiyang Electro-optic (Huizhou) Co., Ltd.	12,921	-	1,949	-	-	-	-	(1,163)	13,707
Deqing Puhua Equity Investment Fund Partnership (Limited Partnership)	209,981	-	(2,934)	-	-	-	-	-	207,047
Ningbo Meishan Bonded Port Qiyu Investment Management Partnership (Limited Partnership)	-	70,000	(822)	-	-	-	-	-	69,178
Pride Telecom Limited	-	(30)	-	-	-	-	-	30	-
Huizhou TCL Resource Investment Co., Ltd.	65,532	(269,500)	(65,533)	-	-	-	-	269,501	-
Shenzhen Tixiang Enterprise Management Technology Co., Ltd.	-	2,000	13	-	-	-	-	-	2,013
Palm Venture Group	-	92,816	(4,947)	-	-	-	-	-	87,869
Changzhou Chuangdong Fund Management Co., Ltd.	-	600	(94)	-	-	-	-	-	506
Changzhou A Dynamic Venture Capital Partnership (Limited Partnership)	-	60,000	(1,422)	-	-	-	-	-	58,578
Huarui (Huizhou) Co., Ltd.	-	19,582	171	-	-	-	-	-	19,753
TCL Very Lighting Technology (Huizhou) Co., Ltd.	-	17,000	(264)	-	-	-	-	-	16,736
Sontec TCL Argentina S.A.	-	777	(265)	-	-	-	-	-	512

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Radio Victoria TCL Argentina S.A.	-	3,280	5,387	-	-	-	-	-	8,667
Huizhou Gaoshengda Metals Co., Ltd.	-	30,000	(461)	-	-	-	-	-	29,539

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IV Notes to Consolidated Financial Statements (Continued)

11 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			Cash dividends or profits declared	Impairment allowance	Other increases/decreases	Ending amount
				Adjustments of other comprehensive income	Other change in equity					
China United Magnesium Co.,Ltd.	-	-	-	-	-	-	-	-	-	-
TCL-IMAX Entertainment Co., Limited	-	-	-	-	-	-	-	-	-	-
Other	2,762,346	-	188,487	-	-	(65,972)	-	(44,230)	2,840,631	
<b>Total</b>	<b>14,703,964</b>	<b>464,226</b>	<b>1,334,263</b>	<b>132,924</b>	<b>-</b>	<b>(443,349)</b>	<b>(31,278)</b>	<b>175,474</b>	<b>16,336,220</b>	

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IV Notes to Consolidated Financial Statements (Continued)

11 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	Ending amount
			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	-	2,169	-	-	-	-	(215)	13,899
TV University Online Distance Education Technology Co., Ltd.	135,341	-	27,526	-	-	(52,954)	-	1,149	111,062
CJ Speedex Logistics Co., Ltd.	468,286	-	(398)	-	-	-	-	-	467,888
Shanxi TCL Huirong Venture Investment Co., Ltd.	5,774	-	324	-	-	-	-	-	6,098
Shanxi TCL Huirong Venture Investment Management Co., Ltd.	503	(500)	1	-	-	-	-	(4)	-
TCL Huizhou City, Kai Enterprise Management Limited	1,147	(30)	11	-	-	(614)	-	-	514
TCL-IMAX Entertainment Co., Limited	(3)	-	-	-	-	-	-	3	-
TCL Zhiyi Technology (Huizhou) Co., Ltd.	2,467	-	(181)	-	-	-	-	(1)	2,285
Huizhou TCL Taidong Shihua Investment Co., Ltd.	22,590	-	(3,447)	-	-	-	-	-	19,143
	<u>648,050</u>	<u>(530)</u>	<u>26,005</u>	<u>-</u>	<u>-</u>	<u>(53,568)</u>	<u>-</u>	<u>932</u>	<u>620,889</u>

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IV Notes to Consolidated Financial Statements (Continued)

11 Long-Term Equity Investments (Continued)

(4) Impairment Allowances for Long-Term Equity Investments

	Beginning amount	Increase in current period	Decrease in current period	Ending amount	Reason for allowance
Pride Telecom Limited	1,624	-	-	1,624	Note 1
Naturedao Information Science and Technology, Ltd.	2,221	-	-	2,221	Note 1
Jinke Holding Group Co., Ltd.	20,373	-	-	20,373	Note 2
China United Magnesium Co.,Ltd.	97,387	-	-	97,387	Note 1
Wealthy Way Group Limited	1,215	-	-	1,215	Note 1
Beijing WeMed Medical Equipment Co., Ltd.	-	31,278	-	31,278	Note 1
TCL-IMAX Entertainment Co., Limited	16,762	-	-	16,762	Note 1
	<u>139,582</u>	<u>31,278</u>	<u>-</u>	<u>170,860</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 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)

12 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	660	-	660
Reclassified from fixed assets and intangible assets	292,869	228,949	521,818
Reclassified from construction in progress	577,344	-	577,344
Decreases:			
Decrease in current period	(14,842)	(7,547)	(22,389)
Newly deconsolidated subsidiaries	(207,858)	-	(207,858)
Reclassified to fixed assets and intangible assets	(7,921)	-	(7,921)
Exchange adjustments	5,552	256	5,808
31 December 2018	<u>2,702,083</u>	<u>247,463</u>	<u>2,949,546</u>
Accumulated depreciation and amortization:			
1 January 2018	1,215,651	6,543	1,222,194
Increases:			
Increase in current period	52,606	3,752	56,358
Reclassified from fixed assets and intangible assets	4,762	2,835	7,597
Decreases:			
Decrease in current period	(784)	-	(784)
Newly deconsolidated subsidiaries	(13,546)	-	(13,546)
Reclassified to fixed assets and intangible assets	(749)	-	(749)
Exchange adjustments	2,171	94	2,265
31 December 2018	<u>1,260,111</u>	<u>13,224</u>	<u>1,273,335</u>
Investment property, net:			
31 December 2018	<u>1,441,972</u>	<u>234,239</u>	<u>1,676,211</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)

13 Fixed Assets

	Buildings	Decoration of fixed assets	Machinery and equipment	Office and electronic equipmen t	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	-	48	24,689	2,228	514	27,479
Purchased	26,012	16,610	1,234,974	306,055	14,241	1,597,892
Reclassified from investment property	7,921	-	-	-	-	7,921
Reclassified from construction in progress	1,643,905	10,527	8,223,322	149,848	-	10,027,602
Decreases:						
Written down with government subsidies	-	(518)	(489,739)	(1,008)	-	(491,265)
Newly deconsolidated subsidiaries	(801)	(4,583)	(974,633)	(39,938)	(1,450)	(1,021,405)
Reclassified to investment property	(292,008)	(861)	-	-	-	(292,869)
Other decreases	(690,147)	(75,558)	(1,214,691)	(316,853)	(13,442)	(2,310,691)
Exchange adjustments	33,652	64,301	(253,407)	169,643	8,082	22,271
31 December 2018	<u>13,062,161</u>	<u>382,091</u>	<u>47,752,417</u>	<u>1,831,728</u>	<u>112,496</u>	<u>63,140,893</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	-	38	10,710	1,745	164	12,657
Depreciation established	424,090	39,251	6,121,674	284,093	15,709	6,884,817
Reclassified from investment property	749	-	-	-	-	749
Decreases:						
Written down with government subsidies	(34,215)	(518)	(823,777)	(573)	-	(859,083)
Newly deconsolidated subsidiaries	(3)	(2,715)	(182,353)	(29,144)	(1,299)	(215,514)
Reclassified to investment property	(4,762)	-	-	-	-	(4,762)
Other decreases	(102,324)	(75,500)	(699,224)	(232,965)	(12,279)	(1,122,292)
Exchange adjustments	17,305	40,405	(140,150)	97,493	100	15,153
31 December 2018	<u>2,410,859</u>	<u>283,254</u>	<u>23,235,237</u>	<u>1,077,885</u>	<u>67,708</u>	<u>27,074,943</u>
Fixed assets, net: 31 December 2018	<u>10,651,302</u>	<u>98,837</u>	<u>24,517,180</u>	<u>753,843</u>	<u>44,788</u>	<u>36,065,950</u>
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)

13 Fixed Assets (Continued)

	Buildings	Decoration of fixed assets	Machinery and equipment	Office and electronic equipmen t	Motor vehicles	Total
Impairment allowances:						
1 January 2018	1,141	994	608,117	2,426	83	612,761
Established in current period	-	-	51,716	9,856	-	61,572
Newly deconsolidated subsidiaries	-	-	(557,448)	(208)	-	(557,656)
Written off in current period	-	(4)	(901)	(175)	-	(1,080)
Exchange adjustments	-	-	(32,155)	(623)	-	(32,778)
31 December 2018	<u>1,141</u>	<u>990</u>	<u>69,329</u>	<u>11,276</u>	<u>83</u>	<u>82,819</u>
Fixed assets, net:						
31 December 2018	<u>10,650,161</u>	<u>97,847</u>	<u>24,447,851</u>	<u>742,567</u>	<u>44,705</u>	<u>35,983,131</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 31 December 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 RMB74,264,000.

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

	Gross amount	Accumulate d depreciation	Impairmen t allowance	Carrying amount	Expected time of obtaining ownership certificate
Buildings (note)	4,260,388	347,678	-	3,912,710	Within 2019

Note: As at 31 December 2018, the fixed assets with pending ownership certificates were mostly the buildings of CSOT's T3 manufacturing base and the Hefei manufacturing base that had been completed and put into use.



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14 Construction in Progress

Project	Budget	Beginning amount	Increase in current period	Reclassified to fixed assets in current period	Reclassified to investment property in current period	Other decreases	Ending amount	Investment as % of budget	Funding source
t6 production line of LCD panel	46,500,000	3,293,073	16,486,658	(403,025)	-	-	19,376,706	42%	Self-owned capital and borrowings
t4 production line of LCD panel	35,000,000	1,291,432	11,711,606	-	-	-	13,003,038	37%	Self-owned capital and borrowings
t3 production line of LCD panel	16,000,000	7,775,047	1,453,623	(6,879,623)	-	(9,266)	2,339,781	15%	Self-owned capital and borrowings
Huizhou modular integration project	1,755,000	591,969	2,139,312	(1,277,942)	-	(147,966)	1,305,373	74%	Self-owned capital and borrowings
Upgrade of the t3 production line of LCD panel	1,471,000	368,399	1,118,706	(416,899)	-	-	1,070,206	73%	Self-owned capital and borrowings
Yunsheng Technology Park in Guangzhou Science City	1,200,000	223,909	483,737	-	(96,462)	-	611,184	51%	Self-owned capital and borrowings
Huizhou whole-widgit integration project	2,465,000	-	566,876	-	-	-	566,876	23%	Self-owned capital and borrowings
Other	Not applicable	1,231,408	1,031,260	(1,050,113)	(480,882)	(80,251)	651,422	Not applicable	Not applicable
		<u>14,775,237</u>	<u>34,991,778</u>	<u>(10,027,602)</u>	<u>(577,344)</u>	<u>(237,483)</u>	<u>38,924,586</u>		

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IV Notes to Consolidated Financial Statements (Continued)

15 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:					
Purchased	1,110,764	300,618	292	180,651	1,592,325
Reclassified from investment property	-	-	-	-	-
Reclassified from construction in progress	76,920	-	-	19,442	96,362
Reclassified from R&D expense	-	339,300	-	54,944	394,244
Decreases:					
Sold or disposed	(1,691,437)	(11,282)	-	(114,302)	(1,817,021)
Reclassified to investment property	(24,916)	-	-	(204,033)	(228,949)
Newly deconsolidated subsidiaries	-	(15,002)	(999)	(17,835)	(33,836)
Exchange adjustments	11,245	24,331	16,268	(57,337)	(5,493)
31 December 2018	<u>4,188,127</u>	<u>2,620,190</u>	<u>346,160</u>	<u>1,042,630</u>	<u>8,197,107</u>
Accumulated amortization:					
1 January 2018	367,288	657,024	131,693	625,295	1,781,300
Increases:					
Amortization established	112,389	229,175	20,536	186,321	548,421
Reclassified from investment property	-	-	-	-	-
Decreases:					
Sold or disposed	(16,137)	(9,030)	-	(71,183)	(96,350)
Reclassified to investment property	(2,835)	-	-	-	(2,835)
Newly deconsolidated subsidiaries	-	(5,867)	(999)	(5,619)	(12,485)
Written down with government subsidies	(6,835)	-	-	(19,155)	(25,990)
Exchange adjustments	9,464	12,213	7,855	(49,354)	(19,822)
31 December 2018	<u>463,334</u>	<u>883,515</u>	<u>159,085</u>	<u>666,305</u>	<u>2,172,239</u>
Intangible assets, net:					
31 December 2018	<u>3,727,628</u>	<u>1,736,675</u>	<u>187,075</u>	<u>373,490</u>	<u>6,024,868</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	-	2,288	-	43,376	45,664
Impairment allowances established	-	33,169	-	10,379	43,548
Written off in the current period	-	(2,288)	-	(8,606)	(10,894)
Exchange adjustments	-	1,147	-	(9,470)	(8,323)
31 December 2018	<u>-</u>	<u>34,316</u>	<u>-</u>	<u>35,679</u>	<u>69,995</u>
Intangible assets, net:					

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31 December 2018	3,727,628	1,702,359	187,075	337,811	5,954,873
1 January 2018	<u>4,338,263</u>	<u>1,322,913</u>	<u>198,906</u>	<u>512,429</u>	<u>6,372,511</u>

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

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IV Notes to Consolidated Financial Statements (Continued)

16 R&D Expense

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

	31 December 2018	31 December 2017
Mobile phones	150,186	297,394
LCD panels	846,925	526,840
Other	14,393	48,570
	<u>1,011,504</u>	<u>872,804</u>

17 Goodwill

Investee	Reason	Initial amount	31 December 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	-	320,765	257,343
Carrying amount, net			<u>357,112</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)

17 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)

17 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 31 December 2018, the Company tested asset groups inclusive of goodwill for impairment. Upon the test, impairment allowances were established in full amount on the goodwill arising from the acquisition of equity interests in JRDC and TCL Medical Radiological Technology.

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IV Notes to Consolidated Financial Statements (Continued)

18 Long-Term Prepaid Expense

	1 January 2018	Increase in current period	Newly consolidated subsidiaries	Newly deconsolidat ed subsidiaries	Amortizat ion in current period	Other	31 Decemb er 2018
Improvement expense on leased fixed assets	853,233	659,696	-	-	(52,636)	-	1,460,293
Other	75,891	776,408	6,084	(29,430)	(428,417)	504	401,040
	<u>929,124</u>	<u>1,436,104</u>	<u>6,084</u>	<u>(29,430)</u>	<u>(481,053)</u>	<u>504</u>	<u>1,861,333</u>

19 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	31 December 2018
Unrealized profits within the Group	250,385	8,038	-	-	2,703	261,126
Provisions	287,495	(61,819)	-	-	407	226,083
Deductible tax losses	66,610	23,220	1,307	12	1,458	92,607
Inventory valuation allowances	79,663	3,220	-	7	42	82,932
Financial instruments at fair value	72,038	(41,663)	(12,123)	-	-	18,252
Other	115,652	(1,406)	(22)	1,058	1,600	116,882
	<u>871,843</u>	<u>(70,410)</u>	<u>(10,838)</u>	<u>1,077</u>	<u>6,210</u>	<u>797,882</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	31 December 2018
Financial instruments at fair value	17,035	13,982	6,186	-	148	37,351

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Government subsidy adjustments	4,941	9,820	-	-	337	15,098
Accelerated depreciation of fixed assets	219,145	133,890	(6,165)	-	457	347,327
Other	30,036	10,074	(634)	-	1,100	40,576
	<u>271,157</u>	<u>167,766</u>	<u>(613)</u>	<u>-</u>	<u>2,042</u>	<u>440,352</u>

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20 Other Non-Current Assets

	1 January 2018	Increase in current period	decrease in current period	December 2018
Prepayments for equipment and land use rights (note 1)	2,493,017	10,964,319	(10,808,256)	2,649,080
Wealth management instruments	201,080	-	(199,080)	2,000
Other	694,856	213,203	(21,383)	886,676
	-			
	<u>3,388,953</u>	<u>11,177,522</u>	<u>(11,028,719)</u>	<u>3,537,756</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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21 Short-Term Borrowings

Short-Term Borrowings by Category

	31 December 2018	31 December 2017
Pledge borrowings	-	1,394,814
Unsecured borrowings	13,240,637	14,595,291
	13,240,637	15,990,105

As at 31 December 2018, pledge short-term borrowings from banks was 0 (31 December 2017: RMB1,394,814,000).

As at 31 December 2018, there were no overdue short-term borrowings.

22 Borrowings from Central Bank

As at 31 December 2018, the balance of the borrowings of TCL Finance Co., Ltd., a subsidiary of the Company, from the central bank was RMB231,404,000 (31 December 2017: RMB39,997,000).

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IV Notes to Consolidated Financial Statements (Continued)

23 Customer Deposits and Interbank Deposits

	31 December 2018	31 December 2017
Customer deposits and interbank deposits	<u>545,053</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.

24 Financial Liabilities at Fair Value through Profit or Loss

	31 December 2018	31 December 2017
Derivative financial liabilities-forward forex contracts	106,901	349,506
Derivative financial liabilities –interest rate swap contracts	<u>105,196</u>	<u>93,436</u>
	<u>212,097</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.

25 Notes and Accounts Payable

	31 December 2018	31 December 2017
Notes payable	3,092,574	2,061,471
Accounts payable	<u>23,922,712</u>	<u>19,324,249</u>
	<u>27,015,286</u>	<u>21,385,720</u>

(1) Notes Payable

	31 December 2018	31 December 2017
Bank acceptance notes	2,234,882	1,206,258
Commercial acceptance notes	<u>857,692</u>	<u>855,213</u>
	<u>3,092,574</u>	<u>2,061,471</u>

As at 31 December 2018, notes payable to related parties were RMB0 (31 December 2017: RMB14,377,000), accounting for 0.00% 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.

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IV Notes to Consolidated Financial Statements (Continued)

25 Notes and Accounts Payable (Continued)

(2) Accounts Payable

Accounts payable are largely for purchases of raw materials and components. As at 31 December 2018, the carrying amount of accounts payable was RMB23,922,712,000 (31 December 2017: RMB19,324,249,000), of which accounts payable with aging over 1 year were RMB262,062,000 (31 December 2017: RMB154,765,000), accounting for approximately 1.10% of the total accounts payable (31 December 2017: 0.80%).

As at 31 December 2018, accounts payable to related parties were RMB689,444,000 (31 December 2017: RMB493,212,000), accounting for 2.88% 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.

26 Advances from Customers

Advances from customers as at the end of the current period were mostly advances on sales. As at 31 December 2018, there were no large-amount advances from customers with aging over 1 year.

As at 31 December 2018, advances from related parties were RMB7,561,000 (31 December 2017: RMB208,000), accounting for 0.52% 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.

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IV Notes to Consolidated Financial Statements (Continued)

27 Payroll Payable and Long-Term Payroll Payable

(1) Payroll Payable

	31 December 2018	31 December 2017
Short-term payroll payable (note)	2,802,947	2,207,545
Defined contribution plans payable	16,124	15,624
Dismissal benefits payable	72,322	69,499
	<u>2,891,393</u>	<u>2,292,668</u>

(Note) Short-Term Payroll Payable

	1 January 2018	Increase in current period	Decrease in current period	31 December 2018
Wages and salaries, bonuses, allowances and subsidies	2,057,182	9,376,911	(9,255,236)	2,178,857
Social security contributions	18,465	438,897	(431,600)	25,762
Housing funds	5,615	261,193	(257,962)	8,846
Labour union funds	32,957	41,299	(49,924)	24,332
Employee education funds	71,038	43,483	(48,498)	66,023
Other	22,288	592,670	(115,831)	499,127
	<u>2,207,545</u>	<u>10,754,453</u>	<u>(10,159,051)</u>	<u>2,802,947</u>

(2) Long-Term Payroll Payable

	31 December 2018	31 December 2017
Supplementary old age security pensions (note)	24,246	25,519
	<u>24,246</u>	<u>25,519</u>

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



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28 Taxes Payable	31 December 2018	31 December 2017
VAT	238,049	119,646
Corporate income tax	214,140	759,743
Individual income tax	34,204	117,032
City construction tax	18,504	46,861
Embankment fees	51,785	51,139
Educational surcharges	13,328	35,151
Waste electric appliance and electronic product treatment fund	60,870	58,448
Other	85,654	85,772
	<u>716,534</u>	<u>1,273,792</u>

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

29 Other Payables

	31 December 2018	31 December 2017
Interest payable	586,819	444,846
Dividends payable	22,553	47,110
Other payables	22,511,402	16,662,797
	<u>23,120,774</u>	<u>17,154,753</u>

(1) Interest Payable

	31 December 2018	31 December 2017
Interest payable on MTN	74,103	60,781
Interest payable on corporate bonds	314,321	244,027
Interest payable on short-term commercial papers	67,467	-
Interest payable on bank borrowings	130,928	140,038
	<u>586,819</u>	<u>444,846</u>

(2) Dividends Payable

	31 December 2018	31 December 2017
Non-controlling interests	22,553	47,110
	<u>22,553</u>	<u>47,110</u>

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(3) Other Payables

	31 December 2018	31 December 2017
Engineering and equipment expense	10,236,446	5,676,045
Ordinary current payables to external entities	6,705,566	5,195,143
Unpaid expense	4,709,423	5,155,195
Payables for land acquisition	452,000	-
Security deposits	407,967	636,414
Total	22,511,402	16,662,797

As at 31 December 2018, other payables to related parties were RMB615,818,000 (31 December 2017: RMB258,159,000), accounting for 2.74% 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.

30 Short-Term Commercial Papers Payable

	31 December 2018	31 December 2017
Short-term commercial papers (note)	2,000,000	-

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)

31 Current Portion of Non-Current Liabilities

	Note IV	31 December 2018	31 December 2017
Long-term borrowings (note 1)	33	3,509,915	4,930,778
Corporate bonds (note 2)		2,500,000	-
MTN		-	996,750
		6,009,915	5,927,528

Note 1 The current portion of long-term borrowings was RMB3,509,915,000 of unsecured borrowings.

Note 2 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	31 December 2018
China Development Bank	February 2011	January 2019	USD	878,490
The Export-Import Bank of China (Shenzhen branch)	November 2017	November 2019	RMB	390,898
China Development Bank	March 2015	May 2019	USD	343,160
The Export-Import Bank of China (Shenzhen branch)	October 2017	October 2019	RMB	328,274
The Export-Import Bank of China (Guangdong branch)	June 2017	June 2019	RMB	300,000
				2,240,822

The interest rates of the current portion of long-term borrowings in the current period ranged from 0% to 4.9% (2017: 0%-4.9%).

32 Other Current Liabilities

	31 December 2018	31 December 2017
After-sales service expense (note)	1,108,360	1,109,100
Financial assets sold under repurchase agreements	185,364	3,206,902
Currency swaps	-	1,697,240
Other	50,727	61,831
	1,344,451	6,075,073

Note 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)

33 Long-Term Borrowings

	31 December 2018	31 December 2017
Mortgage borrowings	29,516,297	18,420,345
Pledge borrowings	-	1,026,190
Unsecured borrowings	10,858,541	5,767,624
	40,374,838	25,214,159
Of which: Current portion of long-term borrowings	(3,509,915)	(4,930,778)
	36,864,923	20,283,381

The maturities of the Company's long-term borrowings vary from 2020 to 2026.

As at 31 December 2018, the carrying amount of long-term mortgage borrowings was RMB29,516,297,000, with land use rights, buildings, machinery and equipment and construction in progress equivalent to RMB47,451,204,000 as the collateral.

As at 31 December 2018, the carrying amount of long-term pledge borrowings was RMB0 (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	31 December 2018
China Development Bank-a syndicated loan for the t2 project	March 2015	March 2023	USD	4,461,080
China Development Bank (Hubei branch)	April 2016	April 2024	USD	3,932,614
China Development Bank-a syndicated loan for the t2 project	March 2015	March 2023	RMB	3,513,600
China Development Bank (Hubei branch)	April 2016	February 2021	RMB	2,310,000
China Development Bank (Hubei branch)	March 2018	December 2025	RMB	1,870,000
				16,087,294

The interest rates of the long-term borrowings in the current period ranged from 0% to 5.57% (2017: 0%-5.57%).

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IV Notes to Consolidated Financial Statements (Continued)

34 Bonds Payable

	31 December 2018	31 December 2017
MTN (note 1)	2,492,714	497,250
Corporate bonds (note 2)	10,492,914	9,999,998
	12,985,628	10,497,248

Note 1 The Company issued RMB500 million of five-year MTNs on 2 April 2015.

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, as well as RMB 2 billion of 2016 five-year corporate bonds (phase 2) on 7 July 2016.

The Company issued RMB1 billion of 2017 five-year corporate bonds (phase 1) on 19 April 2017, and RMB3 billion of 2017 five-year corporate bonds (phase 2) on 7 July 2017.

The Company issued RMB1 billion of 2018 five-year corporate bonds (phase 1) on 6 June 2018, and RMB2 billion of 2018 five-year corporate bonds (phase 2) on 20 August 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”.

35 Long-Term Payables

	31 December 2018	31 December 2017
Technological development fund	73,000	73,000
Other	902	3,309
	73,902	76,309

36 Deferred Income

	31 December 2018	31 December 2017
Income-related government subsidies	2,637,229	2,664,877

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IV Notes to Consolidated Financial Statements (Continued)

37 Share Capital

(In thousand shares)	1 January 2018		Change in current period			31 December 2018	
	Shares	Percentage	New issues	Other	Subtotal	Shares	Percentage
1. Restricted shares	4,513,615	33.40%	34,677	(2,722,639)	(2,687,962)	1,825,653	13.47%
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%	34,393	(1,478,619)	(1,444,226)	1,734,838	12.80%
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%	34,393	4,950	39,343	524,080	3.87%
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%	-	2,722,638	2,722,638	11,723,995	86.53%
2.1 RMB-denominated ordinary shares	9,001,357	66.60%	-	2,722,638	2,722,638	11,723,995	86.53%
2.2 Domestically listed foreign shares	-	-	-	-	-	-	0.00%
2.3 Overseas listed foreign shares	-	-	-	-	-	-	0.00%
3. Total shares	<u>13,514,972</u>	<u>100.00%</u>	<u>34,677</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)

37 Share Capital (Continued)

Note As at 31 December 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.

38 Capital Reserves

	1 January 2018	Increase in current period	Decrease in current period	31 December 2018
Share premium	4,901,361	28,781	-	4,930,142
Other capital reserves	1,039,110	27,489	-	1,066,599
	<u>5,940,471</u>	<u>56,270</u>	<u>-</u>	<u>5,996,741</u>

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IV Notes to Consolidated Financial Statements (Continued)

39 Surplus Reserves

	1 January 2018	Increase in current period	Decrease in current period	31 December 2018
Statutory surplus reserves	1,311,430	689,961	-	2,001,391
Discretionary surplus reserves	<u>182,870</u>	<u>-</u>	<u>-</u>	<u>182,870</u>
	<u>1,494,300</u>	<u>689,961</u>	<u>-</u>	<u>2,184,261</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.

40 General Reserve

	1 January 2018	Increase in current period	Decrease in current period	31 December 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.

41 Retained Earnings

	2018	2017
Beginning retained earnings	8,577,688	7,305,927
Net profit for current period	3,468,211	2,664,395
Decrease in current period	(2,044,926)	(1,392,634)
Including: Appropriated as surplus reserves	(689,961)	(415,539)
Distributed to ordinary shareholders as dividends	(1,354,965)	(977,095)
Ending retained earnings	<u>10,000,973</u>	<u>8,577,688</u>



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IV Notes to Consolidated Financial Statements (Continued)

42 Operating Revenue and Cost of Sales

	2018		2017	
	Operating revenue	Cost of sales	Operating revenue	Cost of sales
Core business	112,282,593	91,888,990	110,510,897	87,998,223
Non-core business	1,077,483	716,599	1,066,465	665,620
	<u>113,360,076</u>	<u>92,605,589</u>	<u>111,577,362</u>	<u>88,663,843</u>

(1) Core Business by Operating Division

	Revenue		Cost of sales		Gross profit	
	2018	2017	2018	2017	2018	2017
CSOT	27,537,312	30,475,095	22,461,374	21,978,605	5,075,938	8,496,490
Highly	16,536,581	15,200,566	15,908,300	14,631,463	628,281	569,103
TCL Electronics	38,569,125	35,304,643	32,525,996	29,738,937	6,043,129	5,565,706
TCL Communication	12,564,164	14,974,745	9,251,447	11,685,720	3,312,717	3,289,025
TCL Household Electric	17,458,890	15,890,528	14,744,496	13,425,506	2,714,394	2,465,022
Appliance Group	6,176,287	5,072,398	5,428,542	4,337,994	747,745	734,404
Tonly Electronics	6,176,287	5,072,398	5,428,542	4,337,994	747,745	734,404
Others and eliminated intercompany accounts	(6,559,766)	(6,407,078)	(8,431,165)	(7,800,002)	1,871,399	1,392,924
	<u>112,282,593</u>	<u>110,510,897</u>	<u>91,888,990</u>	<u>87,998,223</u>	<u>20,393,603</u>	<u>22,512,674</u>

(2) Core Business by Operating Segment

	Revenue		Cost of sales		Gross profit	
	2018	2017	2018	2017	2018	2017
Domestic	56,473,133	56,321,586	46,197,816	45,045,439	10,275,317	11,276,147
Overseas	55,809,460	54,189,311	45,691,174	42,952,784	10,118,286	11,236,527
	<u>112,282,593</u>	<u>110,510,897</u>	<u>91,888,990</u>	<u>87,998,223</u>	<u>20,393,603</u>	<u>22,512,674</u>

The sales revenue from the top five customers combined was RMB17,833,273,000 and RMB19,789,691,000 respectively for 2018 and 2017, accounting for 15.88% and 17.91% of the core business revenue.

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IV Notes to Consolidated Financial Statements (Continued)

43 Interest Income/(Expense) and Exchange Gain/(Loss)

	2018	2017
Interest income	87,362	150,080
Interest expense	72,248	79,421
Exchange gain/(loss)	(47,714)	(22,303)

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

44 Taxes and Surcharges

	2018	2017
City construction and maintenance tax	132,326	123,926
Property tax	109,329	71,783
Stamp tax	103,995	82,024
Educational surcharge	96,329	91,841
Land use tax	15,064	19,062
Commodity circulation tax (Brazil)	306	93,257
Other	203,913	183,449
	661,262	665,342

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

45 Finance Costs

	2018	2017
Interest expense	1,782,408	1,800,106
Interest income	(621,949)	(485,953)
Exchange loss/(income)	(321,412)	175,896
Other	134,214	175,226
	973,261	1,665,275

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IV Notes to Consolidated Financial Statements (Continued)

46 Asset Impairment Loss

	2018	2017
Loss on uncollectible accounts	217,800	183,921
Inventory valuation loss	999,690	646,133
Loss on impairments of available-for-sale financial assets	22,548	42,189
Loss on impairments of fixed assets	61,572	557,087
Loss on impairment of long-term equity investments	31,277	17,963
Loss on impairments of discounted notes	7,522	9,591
Loss on impairment of intangible assets	43,548	-
Loss on impairment of goodwill	62,823	206,615
Loss on impairment of other assets	76,339	-
	<u>1,523,119</u>	<u>1,663,499</u>

47 Other Income

	2018	2017
R&D subsidies	1,851,643	941,734
VAT rebates on software	367,075	438,207
	<u>2,218,718</u>	<u>1,379,941</u>

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IV	Notes to Consolidated Financial Statements (Continued)	
48	Return on Investment	
	2018	2017
	Income from disposal of wealth management instruments	627,338
	691,917	
	Income from disposal of derivative financial assets/liabilities	(17,067)
	(64,779)	
	Income from investments in money market funds	18,835
	-	
	Share of current period profit/(loss) of associates	1,089,216
	1,334,263	
	Share of current period profit/(loss) of joint ventures	9,002
	26,005	
	Net income from disposal of long-term equity investments	456,012
	(48,708)	
	Income from disposal of available-for-sale financial assets	212,250
	109,175	
	Income during period of holding available-for-sale financial assets	43,106
	119,381	
	<u>2,167,254</u>	<u>2,438,692</u>
49	Gains/(Losses) on Changes in Fair Value	
	2018	2017
	Financial assets/liabilities at fair value through profit or loss –forward forex contracts	318,009
	5,834	
	Financial liabilities at fair value through profit or loss-wealth management instruments	(8,168)
	(9,380)	
	Financial assets at fair value through profit or loss-interest rate swap contracts	(412)
	(333)	
	<u>(3,879)</u>	<u>309,429</u>
50	Asset Disposal Income	
	2018	2017
	Income from disposal of fixed assets (loss shown in brackets)	(19,849)
	129,282	
	Income from disposal of intangible assets (loss shown in brackets)	3,895
	(116,206)	
	Income from disposal of other non-current assets (loss shown in brackets)	161
	(3,005)	
	<u>10,071</u>	<u>(15,793)</u>

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IV Notes to Consolidated Financial Statements (Continued)

51 Non-Operating Income

	2018	2017
Gains on retired or damaged non-current assets	742	5,052
<div style="padding-left: 20px;">Including: Gains on retired or damaged fixed assets</div>	714	4,036
<div style="padding-left: 40px;">Gains on retired or damaged intangible assets</div>	-	490
Negative goodwill	-	191,917
Other	956,067	643,282
	956,809	840,251

52 Non-Operating Expense

	2018	2017
Losses on retired or damaged non-current assets	8,398	24,728
<div style="padding-left: 20px;">Including: Losses on retired or damaged fixed assets</div>	7,926	23,994
<div style="padding-left: 40px;">Losses on retired or damaged intangible assets</div>	232	535
Other	96,233	138,707
	104,631	163,435

53 Income Tax Expense

	2018	2017
Current income tax expense	641,006	1,304,418
Deferred income tax expense (note)	238,176	(59,380)
	879,182	1,245,038

Note For further information on the deferred income tax expense as recognized in the income statement for the current period, see Note IV, item 19.

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IV Notes to Consolidated Financial Statements (Continued)

54 Other Comprehensive Income

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

	2018	2017
Share of other comprehensive income of investees that will be reclassified to profit or loss under equity method	132,924	12,915
Gain/(Loss) on available-for-sale financial assets	(576,616)	200,164
Previous other comprehensive income reclassified to profit for current period	(226,840)	(109,299)
Subtotal	(803,456)	90,865
Current gain/(loss) on cash flow hedges	(45,368)	416,052
Previous other comprehensive income reclassified to profit for current period	(40,471)	42,409
Income tax effects recorded in other comprehensive income for current period	(10,225)	(1,946)
Subtotal	(96,064)	456,515
Differences arising from translation of foreign currency-denominated financial statements	(896,598)	1,162,051
Total	(1,663,194)	1,722,346

(2) Changes in Other Comprehensive Income Items

	<u>Equity attributable to shareholders of the Company as the parent</u>					Subtotal	Non-controlling interests	Total other comprehensive income
	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				
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 2018	132,924	(750,787)	(89,078)	(686,493)	(1,393,434)	(269,760)	(1,663,194)	
31 December 2018	188,998	(350,407)	32,251	(1,045,004)	(1,174,162)	(221,691)	(1,395,853)	

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IV Notes to Consolidated Financial Statements (Continued)

55 Earnings per Share (EPS)

(1) Basic EPS

	2018	2017
Net profit attributable to owners of the Company as the parent	3,468,211	2,664,395
Weighted average outstanding ordinary shares (in thousand shares)	13,549,649	13,514,972
Basic EPS (RMB yuan/share)	0.2566	0.2178

(2) Diluted EPS

	2018	2017
Net profit attributable to owners of the Company as the parent	3,468,211	2,664,395
Diluted weighted average outstanding ordinary shares (in thousand shares)	13,538,282	13,514,972
Diluted EPS (RMB yuan/share)	0.2562	0.2178

56 Cash Generated from Other Operating Activities

Cash generated from other operating activities in the consolidated cash flow statement was RMB2,141,672,000, which primarily consisted of other current payments received and government subsidies.

57 Cash Used in Other Operating Activities

Cash used in other operating activities in the consolidated cash flow statement was RMB15,938,820,000, which primarily consisted of various expenses.

58 Cash Used in Other Financing Activities

Cash used in other operating activities in the consolidated cash flow statement was RMB584,974,000.

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IV Notes to Consolidated Financial Statements (Continued)

59 Net Cash Generated from/Used in Operating Activities

Reconciliation of Net Profit to Net Cash Generated from/Used in Operating Activities	2018	2017
Net profit	4,065,198	3,544,702
Add: Asset impairment allowance	1,523,119	1,663,499
Depreciation of fixed assets	6,941,175	6,474,815
Amortization of intangible assets	548,421	453,086
Amortization of long-term prepaid expense	481,053	274,967
Loss/(Income) from disposal of fixed assets, intangible assets and other long-lived assets	(10,071)	15,793
Loss on retired or damaged fixed assets	7,656	19,676
Loss/(Gain) on changes in fair value	3,879	(309,429)
Finance costs	1,580,958	2,077,726
Return/(Loss) on investment	(2,167,254)	(2,438,692)
Increase/(Decrease) in deferred income tax assets	73,961	(138,459)
Increase in deferred income tax liabilities	169,195	41,376
Decrease in inventories	(7,941,359)	(767,401)
Increase/(Decrease) in operating receivables	1,228,167	(1,763,676)
Decrease in operating payables	898,032	2,696,447
Other	3,084,449	(2,634,815)
Net cash generated from/used in operating activities	<u>10,486,579</u>	<u>9,209,615</u>

60 Changes in Cash and Cash Equivalents, Net

Ending cash and cash equivalents	25,702,384	23,281,169
Less: Beginning cash	<u>23,281,169</u>	<u>23,815,656</u>
Net increase in cash and cash equivalents	<u>2,421,215</u>	<u>(534,487)</u>

Analysis of ending cash and cash equivalents:

Ending monetary capital	26,801,343	27,459,453
Less: Ending non-cash equivalents (note)	<u>1,098,959</u>	<u>4,178,284</u>
Ending cash and cash equivalents	<u>25,702,384</u>	<u>23,281,169</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.-Dec. 2018	Newly incorporated	RMB 20,000,000	100%
TCL Netherlands B.V.	Feb.-Dec. 2018	Newly incorporated	-	100%
China Star Optoelectronics Technology (Japan) Co., Ltd.	Mar.- Dec. 2018	Newly incorporated	JPY 10,000,000	100%
Ningbo TCL Equity Investment Co., Ltd.	Jan.-Dec. 2018	Newly incorporated	RMB 30,000,000	99%
Karley Investment Limited	Jan.-Dec. 2018	Newly incorporated	USD 1	100%
Admiralty Harbour Finance Group Limited	Jan.-Dec. 2018	Newly incorporated	HKD 1	100%
Guangxi Tonly Electronics Technology Co., Ltd.	Mar.-Dec. 2018	Newly incorporated	RMB 50,000,000	100%
TCL Air-Conditioner (Jiujiang) Co., Ltd.	Feb.-Dec. 2018	Newly incorporated	RMB 20,000,000	100%
Beijing Xunying Renren Medical Technologies Co., Ltd.	Feb.-Dec. 2018	Newly incorporated	RMB 50,000,000	100%
Shenzhen Xiaoxiang Technology Development Co., Ltd.	Apr.-Dec. 2018	Newly incorporated	RMB 15,000,000	100%
TCL Ventures Inc	Jun.-Dec. 2018	Newly incorporated	RMB 10,000,000	100%
TCL Ventures Fund L.P.	Jun.-Dec. 2018	Acquired	RMB 1,000,000	100%
Peaklink Investments Limited	Jun.-Dec. 2018	Newly incorporated	RMB 50,000	100%
TCL Intelligent Appliances (Vietnam) Co., Ltd.	Jun.-Dec. 2018	Newly incorporated	VND 11,000,000	100%
Guangzhou Cool Friends Network Technology Co., Ltd.	Jul.-Dec. 2018	Newly incorporated	RMB 100,000,000	100%
Shanghai Huiying Medical Technology Co., Ltd.	Jul.-Dec. 2018	Newly incorporated	RMB1,000,000	100%
Getech (Shenzhen) Ltd.	Jul.-Dec. 2018	Newly incorporated	RMB 10,000,000	100%

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V Changes in Consolidation Scope

1 Newly Consolidated Entities for Current Period (Continued)

Investee	Consolidated period	Reason for change	Registered capital	The Company's interest
ARES' WARRIORS LIMITED	Jul.-Dec. 2018	Newly incorporated	USD1	100%
TCL Electronics UK Ltd	Jul.-Dec. 2018	Newly incorporated	GBP 200,000	100%
TTE TECHNOLOGY INDIA PRIVATE LIMITED	Aug.-Dec. 2018	Newly incorporated	INR242,500,001 .03	100%
Huizhou Shiwei New Technology Co., Ltd.	Aug.-Dec. 2018	Newly incorporated	RMB 500,000	100%
Shenzhen TCL Strategic Equity Investment Fund Partnership (Limited Partnership)	Aug.-Dec. 2018	Newly incorporated	RMB 50,250,000	99.5%
Wuhan TCL Industrial Technology Research Institute, Ltd.	Aug.-Dec. 2018	Newly incorporated	RMB 20,000	100%
Perfect Crown Investment Limited	Sept.-Dec. 2018	Newly incorporated	USD 50,000	100%
Link Win Development Limited	Sept.-Dec. 2018	Newly incorporated	USD 50,000	100%
Getech Ltd.	Sept.-Dec. 2018	Newly incorporated	RMB 100,000,000	76%
Getech (Wuhan) Ltd.	Oct.-Dec. 2018	Newly incorporated	RMB 10,000,000	100%
Guangdong CSOT Industrial Equity Investment Co., Ltd.	Nov.-Dec. 2018	Newly incorporated	RMB 11,400,000,000	82%
TTE ELECTRONICS INDIA PRIVATE LIMITED	Nov.-Dec. 2018	Newly incorporated	INR5,000,000	100%
SKYGO UNIWIN LIMITED	Nov.-Dec. 2018	Newly incorporated	HKD 50,000	100%
PANEL OPTODISPLAY TECHNOLOGY PRIVATE LIMITED	Dec. 2018	Newly incorporated	INR108,000,000	100%

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V Changes in Consolidation Scope

1 Newly Consolidated Entities for Current Period (Continued)

Investee	Consolidated period	Reason for change	Registered capital	The Company 's interest
Huizhou Nirike Optoelectronics Co., Ltd.	Dec. 2018	Newly incorporated	RMB 30,000,000	51%
TCL Electronics (Huizhou) Co., Ltd.	Dec. 2018	Newly incorporated	RMB 1,100,000,000	100%
Zhuhai TCL Haixing Real Estate Co., Ltd.	Dec. 2018	Newly incorporated	RMB 5,000,000	100%
Guangdong Regency Optics-Electron Corp.	Dec. 2018	Acquired	RMB 38,000,000	56.39%

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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/de-registr ation day	Net profit in consolidated period
TCL Network Equipment (Shenzhen) Co., Ltd.	January 2018	Dissolved	-	-
Foshan TCL Household Appliances (Nanhai) Co., Ltd.	January 2018	De-registered	-	(170)
Huizhou TCL Hyperpower Batteries Inc.	February 2018	Transferred	69,795	(6,333)
Qijing Sunpiestore Technology Co., Ltd.	March 2018	De-registered	-	-
Cheers Overseas Limited	May 2018	De-registered	-	(16,748)
JRD (Beijing) Technology Co., Ltd.	May 2018	De-registered	-	(737)
Beijing Luote Pacific Communication Technology Co., Ltd.	January 2018	De-registered	-	-
Shanke Technology Holdings Limited	February 2018	Transferred	-	-
TCT Mobile (Singapore) Pte.Ltd	June 2018	De-registered	-	-
Huizhou Taichuang Investment Development Co., Ltd.	January 2018	Transferred	15,439	-
Xi'an TCL Industrial Technology Research Institute, Ltd.	June 2018	De-registered	-	(118)
Canyon Circuit Technology (Huizhou) Co., Ltd.	January 2018	Transferred	81,121	1,727
Tairui (Hong Kong) Limited	March 2018	Transferred	(140)	43
TCT Mobile - Telefonos LTDA	March 2018	Transferred	388,871	(32,719)
Petro AP (Hong Kong) Company Limited	March 2018	Transferred	705,477	(11,565)
PETRO AP S.A.	March 2018	Transferred	(285,625)	(2,017)
Shenzhen Asic Micro-Electronics Ltd.	July 2018	De-registered	-	(82)
Shenzhen Hongye Construction & Decoration Co., Ltd.	August 2018	De-registered	-	11,143
Meili Wireless Technology (Shenzhen) Co.,Ltd.	August 2018	De-registered	-	(10)
TTE (HK) Limited	September 2018	De-registered	-	-
Tonly Technology Pte. Ltd.	September 2018	De-registered	-	-

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TOPAID INVESTMENTS LIMITED	October 2018	De-registered	-	3,519
Dongming Industrial (Huizhou) Co., Ltd.	October 2018	De-registered	-	-

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V Changes in Consolidation Scope (Continued)

2 Deconsolidated Entities for Current Period (Continued)

Investee	Date of deconsolidation	Reason for change	Net assets at transfer day/de-registr ation day	Net profit in consolidated period
Huizhou TCL Hongchuang Technology Co., Ltd.	October 2018	De-registered	-	11
TCL Healthcare International (Singapore)Co., Ltd.	October 2018	De-registered	-	-
TCL Zhixian Holding Co., Ltd.	November 2018	De-registered	-	(2,225)
Prosper Wide Limited	December 2018	De-registered	-	10,060
TCL King Electrical Appliances (Wuxi) Co., Ltd.	December 2018	De-registered	-	275
PT EKSINDO TELAGA SAID DARAT	December 2018	Transferred	-	-
TCL Very Lighting Technology (Huizhou) Co., Ltd.	September 2018	Transferred	-	1,950
Huarui (Huizhou) Co., Ltd.	September 2018	Transferred	-	463

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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	Huarui (Huizhou) Co., Ltd.	PT EKSINDO TELAGA SAID DARAT
Price for equity interest disposal	50,821	62,498	80,515	81	380,954	-	48,189	-
% equity interest disposed	100.00%	100.00%	35.00%	28.35%	100.00%	28.35%	47.00%	100.00%
Way of disposal	Transfer	Transfer	Transfer	Transfer	Transfer	Transfer	Transfer	Transfer
Time of loss of control	Jan. 2018	Feb. 2018	Mar. 2018	Mar. 2018	Mar. 2018	Mar. 2018	Sept. 2018	Dec. 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	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	(7,419)	414	225	(94,988)	10,016	775	(7,997)

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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	
Shenzhen China Star Optoelectronics Technology Co., Ltd.	Shenzhen	Manufacturing and marketing	RMB19,822,894,772	87.80%	-	Incorporated
TCL Industries Holdings (HK) Limited	Hong Kong	Investment holdings	HKD1,578,942,506	100%	-	Incorporated
TCL Electronics Holdings Limited	Cayman Islands	Investment holdings	HKD 2,333,388,113	-	52.89%	Incorporated
Guangzhou Digital Lehua Technology Co., Ltd.	Guangzhou	Manufacturing and marketing	RMB120,000,000	-	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	RMB100,000,000	-	100%	Incorporated
TCL King Electrical Appliances (Huizhou) Co., Ltd.	Huizhou	Manufacturing and marketing	HKD507,562,684	-	98.51%	Incorporated
TCL Overseas Electronics (Huizhou) Ltd.	Huizhou	Manufacturing and marketing	RMB239,330,000	-	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	RMB30,000,000	-	100%	Incorporated
TCL Electronics (HK) Limited	Hong Kong	Marketing	HKD 30,000,000	-	100%	Incorporated
TCL overseas Marketing Commercial Offshore) Limited	Macao	Marketing	MOP 100,000	-	100%	Incorporated
TCL Commercial Information Technology (Huizhou) Co., Ltd.	Huizhou	Manufacturing and marketing	RMB100,000,000	-	100%	Incorporated



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TCL New Technology (Huizhou) Co., Ltd.	Huizhou	Manufacturing and marketing	RMB80,000,00 0	-	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 Communication Technology Holdings Limited	Cayman Islands	Investment holdings	HKD1,278,984,117	-	51%	Incorporated
TCL Communication Technology (Chengdu) Co., Ltd.	Chengdu	R&D	USD 12,000,000	-	100%	Incorporated
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	USD199,600,000	-	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 Semiconductor Display Technology Co., Ltd.	Shenzhen	Manufacturing and marketing	RMB21,500,000,000	-	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	RMB30,000,000	-	100%	Incorporated
Wuhan China Star Optoelectronics Technology Co., Ltd.	Wuhan	Manufacturing and marketing	RMB8,760,000,000	-	42.12%	Incorporated
Wuhan China Star Optoelectronics Semiconductor Display Technology Co., Ltd.	Wuhan	Manufacturing and marketing	RMB18,000,000,000	-	25.3%	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	HKD208,385,062	-	65.05%	Obtained in a business combination not under common control
China Display Optoelectronics Technology (Huizhou) Co., Ltd.	Huizhou	Manufacturing and marketing	RMB231,900,000	-	100%	Incorporated
Wuhan China Display Optoelectronics Technology Co., Ltd.	Wuhan	Manufacturing and marketing	RMB500,000,000	-	100%	Incorporated
Huizhou TCL Household Electric Appliance Group Co., Ltd.	Huizhou	Investment holdings	RMB448,000,000	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	RMB20,000,000	-	100%	Incorporated

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TCL Home Appliances (Zhongshan) Co., Ltd.	Zhongshan Manufacturing and marketing	RMB80,000,000	-	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	RMB110,878,990	-	100%	Incorporated
TCL Home Appliances (Hefei) Co., Ltd.	Hefei	Manufacturing and marketing	RMB300,000,000	100%	-	Incorporated
TCL Home Appliances (Hong Kong) Limited	Hong Kong	Marketing	HKD100,000	-	100%	Incorporated
TCL Home Appliances (North America) Co.	The U.S.	Marketing	USD100,000	-	100%	Incorporated
Tonly Electronics Holdings Limited	The Virgin Islands	Investment holdings	HKD268,357,390	-	48.73%	Incorporated
Shenzhen Tonly Technology Development Co., Ltd.	Shenzhen	R&D	RMB10,000,000	-	100%	Incorporated
Xi'an TCL Software Development Co., Ltd.	Xi'an	R&D	USD2,000,000	-	100%	Incorporated
TCL Tonly Electronics (Huizhou) Co., Ltd.	Huizhou	Manufacturing and marketing	RMB161,500,000	-	100%	Incorporated
Dongguan Pusheng Electronic Technology Co., Ltd.	Dongguan	Manufacturing and marketing	RMB31,700,000	-	100%	Obtained in a business combination not under common control
Tonly Electronics Marketing Co., Ltd.	Hong Kong	Marketing	HKD2	-	100%	Incorporated
TCL Tonly Technology (Hong Kong) Limited	Hong Kong	Marketing	HKD50,000,000	-	100%	Incorporated
Huizhou TCL Light Electrical Appliances Co., Ltd.	Huizhou	Manufacturing and marketing	RMB70,000,000	100%	-	Incorporated
Guangzhou Sky-tech Cloud Info Co., Ltd.	Guangzhou	Information technology	USD200,000,000	-	100%	Incorporated
Guangzhou Sky-tech Shichang Information Technology Co., Ltd.	Guangzhou	Information technology	RMB10,000,000	-	100%	Incorporated
TCL Healthcare Holding Co., Ltd.	Hong Kong	Investment holdings	USD74,060,000	-	66.67%	Incorporated

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Guangzhou TCL Medical Equipment Co., Ltd.	Guangzhou Manufacturing and marketing	RMB200,000,000	-	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 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	RMB125,346,000	100%	-	Obtained in a business combination not under common control
Huizhou TCL Environmental Resource Co., Ltd.	Huizhou	Investment holdings	RMB300,000,000	91%	-	Incorporated
TCL Aobo Environmental Protection and Development Co., Ltd.	Tianjin	Manufacturing and marketing	RMB150,000,000	-	60%	Incorporated
Huizhou TCL Environment Technology Co., Ltd.	Huizhou	Manufacturing and marketing	RMB110,000,000	-	51%	Obtained in a business combination not under common control
Shantou TCL Deqing Environmental Protection Development Co., Ltd.	Shantou	Manufacturing and marketing	RMB50,000,000	-	51%	Incorporated
TCL Educational Web Ltd.	The Virgin Islands	Investment holdings	HKD 42,819,044	-	100%	Incorporated
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	RMB39,000,000	-	80%	Incorporated
GoLive TV Tech Co., Ltd.	Beijing	Information technology	RMB30,834,300	-	100%	Incorporated
Quanying Technology (Beijing) Co., Ltd.	Beijing	Information technology	USD 750,000	-	100%	Obtained in a business combination not under common control

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Shenzhen TCL Smart Home Technologies Co., Ltd.	Shenzhen	Information technology	RMB135,670,000	-	100%	Incorporated
Shenzhen HAWK Internet Co., Ltd.	Shenzhen	Internet services	RMB500,000,000	100%	-	Incorporated
Beijing HAWK Cloud Information Technology Co., Ltd.	Beijing	Internet services	RMB20,000,000	100%	-	Incorporated
TCL Culture Media (Shenzhen) Co., Ltd.	Shenzhen	Ad planning	RMB550,000,000	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	
Koyoo Online Service CO., Ltd.	Huizhou	After-sales service	RMB35,000,000	100%	-	Incorporated
Huizhou Cool Friends Network Technology Co., Ltd.	Huizhou	E-commerce	RMB500,000,000	55%	45%	Incorporated
Highly Information Industry Co., Ltd.	Beijing	Product distribution	RMB132,600,000	73.69%	-	Incorporated
Beijing Sunpiestore Technology Co., Ltd.	Beijing	Marketing	RMB20,000,000	-	60%	Incorporated
Beijing Lingyun Data Technology Co., Ltd.	Beijing	Marketing	RMB25,000,000	-	75%	Incorporated
TCL Finance Holdings Group (Guangzhou) Co., Ltd.	Shenzhen	Finance	RMB1,000,000,000	100%	-	Incorporated
TCL Finance Co., Ltd.	Huizhou	Finance	RMB1,500,000,000	82%	18%	Incorporated
TCL Finance Technology (Shenzhen) Co., Ltd.	Shenzhen	Finance	RMB5,000,000	-	100%	Incorporated
Shenzhen Baisi Asset Management Co., Ltd.	Shenzhen	Asset management	RMB30,000,000	-	100%	Incorporated
TCL Financial Service (Shenzhen) Co., Ltd.	Shenzhen	Financial service	RMB5,000,000	-	100%	Incorporated
TCL Commercial Factoring (Shenzhen) Co., Ltd.	Shenzhen	Commercial factoring	RMB500,000,000	-	100%	Incorporated
Huizhou Zhongkai TCL Zhirong Technology Microcredit Co., Ltd.	Huizhou	Finance	RMB500,000,000	80%	-	Acquired
Xinjiang TCL Equity Investment Co., Ltd.	Huizhou	Investment	RMB200,000,000	100%	-	Incorporated
Petro AP Limited	The Virgin Islands	Investment holdings	USD 12,000,000	-	45.00%	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

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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	
Shenzhen TCL Real Estate Co., Ltd.	Shenzhen	Property management	RMB100,000,000	-	70.00%	Incorporated
Shenzhen TCL Lighting Technology Co., Ltd.	Shenzhen	Property management	RMB200,000,000	-	60.00%	Incorporated
Winshero Investment Limited	The Virgin Islands	Investment	USD1	-	100.00%	Incorporated
Shenzhen TCL Industrial Technology Research Institute, Ltd.	Shenzhen	R&D	RMB50,000,000	-	100.00%	Incorporated
TCL Research America Inc.	The U.S.	R&D	USD 10	-	100.00%	Incorporated
TCL Industrial Technology Research Institute (Hong Kong) Limited	Hong Kong	R&D	HKD 30,000,000	-	100.00%	Incorporated
Thunderbird Technology Holding Limited	Hong Kong	Investment holding	HKD 1	-	100.00%	Incorporated
Guangdong TCL Smart Heating & Ventilation Equipment Co., Ltd.	Zhongshan	Manufacturing and marketing	RMB100,000,000	-	80.00%	Incorporated

Note 1 Shenzhen China Star Optoelectronics Technology Co., Ltd. (hereinafter referred to as "CSOT"), a subsidiary of the Company, has a 42.12% 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	47.11%	372,453	226,428	3,651,851
Shenzhen China Star Optoelectronic Technology Co., Ltd.	12.20%	331,825	808,044	25,136,970
Highly Information Industry Co., Ltd.	26.31%	49,579	15,699	231,067
TCL Communication Technology Holdings Limited	49.00%	(158,203)	-	(298,676)

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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:

	31 December 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	21,006,560	2,850,389	23,856,949	15,427,269	666,735	16,094,004	18,942,326	2,826,681	21,769,007	14,865,668	485,010	15,350,678
China Star Optoelectronics Technology Co., Ltd.	37,654,261	78,694,317	116,348,578	35,014,430	33,644,993	68,659,423	40,956,744	48,743,798	89,700,542	27,187,180	20,420,363	47,607,543
Highly Information Industry Co., Ltd.	3,937,368	20,555	3,957,923	3,050,859	20,000	3,070,859	2,833,869	16,439	2,850,308	2,096,563	-	2,096,563
TCL Communication Technology Holdings Limited	5,159,415	2,127,130	7,286,545	7,446,858	501,715	7,948,573	6,272,916	2,772,766	9,045,682	8,405,363	577,965	8,983,328

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VI Interests in Other Entities (Continued)

1 Interests in Subsidiaries (Continued)

(2) Subsidiaries with Significant Non-Controlling Interests (Continued)

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

	2018				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	39,098,170	809,788	640,370	1,754,327	35,789,070	700,682	505,815	488,491
Shenzhen China Star Optoelectronics Technology Co., Ltd.	27,666,368	2,215,225	2,431,383	9,025,339	30,574,436	4,861,842	9,886,330	12,047,910
Highly Information Industry Co., Ltd.	16,566,993	198,616	195,939	(80,265)	15,234,608	194,347	202,766	253,540
TCL Communication Technology Holdings Limited	13,019,445	(328,766)	(669,621)	-	15,343,835	(2,035,696)	(1,949,883)	(101,822)

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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—					
China Merchants Real Estate (Pingshan, Shenzhen) Co., Ltd.	Shenzhen	Real estate	Yes	-	30.00%
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

	31 December 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	1,237,435	486,030	1,353,831	406,296
Non-current assets	76,396	31,647	72,837	17,707
Total assets	1,313,831	517,677	1,426,668	424,003
Current liabilities	1,049,238	366,133	1,109,984	272,522
Non-current liabilities	27,385	-	28,059	-
Total liabilities	1,076,623	366,133	1,138,043	272,522
Equity attributable to non-controlling interests	7,236	-	5,547	-
Equity attributable to shareholders of the Company as the parent	229,972	151,544	283,078	151,482
Share of equity in proportion to the Company's interest	114,986	75,772	141,539	75,741
Carrying amount of investment in joint venture	111,062	467,888	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)

	2018		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	1,685,044	1,621,605	1,548,621	1,098,516
Net profit	55,116	63	57,076	2,932
Other comprehensive income	-	-	-	-
Total comprehensive income	55,116	63	57,076	2,932
Dividends received by the Group from joint venture for current period	-	-	26,359	-

(3) Key Financial Information of Major Associates

	31 December 2018		31 December 2017	
	Bank of Shanghai Co., Ltd.	China Merchants Real Estate (Pingshan, Shenzhen) Co., Ltd.	Bank of Shanghai Co., Ltd.	China Merchants Real Estate (Pingshan, Shenzhen) Co., Ltd.
Current assets	2,027,772,399	2,260,078	317,912,792	1,531,402
Non-current assets	-	474,881	1,489,854,146	58,292
Total assets	2,027,772,399	2,734,959	1,807,766,938	1,589,694
Current liabilities	1,866,003,791	1,563,520	1,489,271,838	768,711
Non-current liabilities	-	-	171,053,697	-
Total liabilities	1,866,003,791	1,563,520	1,660,325,535	768,711
Equity attributable to non-controlling interests	492,059	-	456,267	-
Equity attributable to shareholders of the Company as the parent	161,276,549	1,171,439	146,985,136	820,983
Share of equity in proportion to the Company's interest	8,045,973	351,432	7,332,984	246,295
Carrying amount of investment in associate	8,363,564	377,122	7,630,711	271,985

Note: The financial data of the Bank of Shanghai Co., Ltd. are expressed in thousands of RMB.

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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)

	2018		2017	
	Bank of Shanghai Co., Ltd.	China Merchants Real Estate (Pingshan, Shenzhen) Co., Ltd.	Bank of Shanghai Co., Ltd.	China Merchants Real Estate (Pingshan, Shenzhen) Co., Ltd.
Operating revenue	43,887,822	4,784	33,124,995	3,827
Net profit	18,067,835	350,455	15,336,793	45,110
Other comprehensive income	1,180,474	-	(1,056,287)	-
Total comprehensive income	19,248,309	350,455	14,280,506	45,110
Dividends received by the Group from associate for current period	194,713	-	100,740	-

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

	2018	2017
Joint ventures:		
Aggregated carrying amount of investments	41,939	44,422
Aggregate of following items calculated in proportion to the Company's interest	-	-
Net profit (note)	(1,123)	(13,107)
Other comprehensive income (note)	-	-
Total comprehensive income	(1,123)	(13,107)
Associates:		
Aggregated carrying amount of investments	15,454,884	13,901,499
Aggregate of following items calculated in proportion to the Company's interest	-	-
Net profit (note)	1,187,702	1,030,673
Other comprehensive income (note)	132,922	12,915
Total comprehensive income	1,320,624	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.

On 19 May 2017, three shareholders of the Company, namely, Mr. Li Dongsheng, Xinjiang Dongxing Huarui Equity Investment Partnership (Limited Partnership) and Xinjiang Jiutian Liancheng Equity Investment Partnership (Limited Partnership) officially became acting-in-concert parties on TCL after signing the Acting-in-Concert Agreement in Relation to TCL Corporation. Up to the agreement signing day, 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 11.1% stake). With confidence in the Company's core business and long-term investment value, Mr. Li Dongsheng increased his shareholdings in the Company by a total of 6,600,000 shares on 18 and 19 December 2018, respectively. As at the end of the Reporting Period, Mr. Li Dongsheng and his acting-in-concert parties together held a total of 1,506,433,496 shares (an 11.12% stake) in the Company, and he is the biggest shareholder of the Company.

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

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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
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
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
TCL Very Lighting Technology (Huizhou) Co., Ltd.	Associate

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Ziteng Intellectual Property Operation (Shenzhen) 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:

Related party	Relationship with the Company
Zijinshan Investment Co., Ltd.	Associate
AGC New Electronic Display Glass (Shenzhen) Co., Ltd.	Associate
Rechi Precision Mechanism (Huizhou) Co., Ltd.	Associate
Tianjin 712 Communication & Broadcasting Co., Ltd.	Associate
Canyon Circuit Technology (Huizhou) Co., Ltd.	Associate
Shenzhen Tixiang Enterprise Management Technology Co., Ltd.	Associate
Palm Venture Group	Associate
Amlogic (Shanghai) Inc.	Associate
Shenzhen Changcheng Commercial Technology Property Service Co., Ltd.	Associate
Hubei Changjiang Hezhi Equity Investment Fund Partnership (Limited Partnership)	Associate
Changzhou Chuangdong Fund Management Co., Ltd.	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

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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:

Related party	Relationship with the Company
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
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
TCT Mobile - Telefones 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

	2018	As % of total transactions of same kind	2017	As % of total transaction s of same kind
(1) Sale of Raw Materials and Finished Goods to Related Parties				
Note 1				
Saipwell TCL Electronics Industrial Technology Co., Ltd.	901,905	0.80%	728,172	0.66%
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	550,794	0.49%	261,399	0.24%
Qihang Import&Export Limited	474,640	0.42%	18,084	0.02%
TCL Sun,Inc.	273,062	0.24%	264,048	0.24%
CJ Speedex Logistics Co., Ltd.	179,939	0.16%	18,894	0.02%
TCT Mobile - Telefonos LTDA	103,045	0.09%	-	-
T2Mobile International Limited	84,163	0.07%	88,896	0.08%
Palm Venture Group	63,947	0.06%	-	-
TCL Very Lighting Technology (Huizhou) Co., Ltd.	41,217	0.04%	-	-
Shenzhen Thunderbird Smart Products Co., Ltd.	21,130	0.02%	33,177	0.03%
TCL Zhiyi Technology (Huizhou) Co., Ltd.	8,653	0.01%	32,452	0.03%
Huizhou Shenghua Industrial Co., Ltd.	3,031	0.00%	3,324	0.00%
T2Mobile (Shanghai) Limited	2,665	0.00%	2	0.00%
Shenzhen Thunderbird Network Media Co., Ltd.	1,229	0.00%	6,690	0.01%
Honpe Technology (Shenzhen) Co., Ltd.	185	0.00%	-	-
Taiyang Electro-optic (Huizhou) Co., Ltd.	144	0.00%	138	0.00%
Shenzhen Jucai Supply Chain Technology Co., Ltd.	136	0.00%	-	-
Beijing National Center for Open & Distance Education Co., Ltd.	92	0.00%	-	-
Ziteng Intellectual Property Operation (Shenzhen) Co., Ltd.	61	0.00%	-	-
Huizhou Gaoshengda Technology Co., Ltd.	41	0.00%	72,514	0.07%
Shenzhen Thunderbird Network Technology Co.	37	0.00%	-	-
Shenzhen Tixiang Enterprise Management Technology Co., Ltd.	18	0.00%	-	-
Shenzhen Thunderbird Information Technology Co., Ltd.	7	0.00%	-	-
Huizhou TCL Real Estate Development Co., Ltd.	6	0.00%	6	0.00%
Le Shi Zhi Xin Electronics & Technology (Tianjin) Co., Ltd.	-	-	488,606	0.44%
Huizhou Zhongkai TCL Zhirong Technology Microcredit Co., Ltd.	-	-	29	0.00%
LG Innotek Huizhou Co., Ltd.	-	-	54,515	0.05%
	<u>2,710,147</u>	<u>2.40%</u>	<u>2,070,946</u>	<u>1.89%</u>

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VII Related Parties and Related-Party Transactions (Continued)

3 Major Related-Party Transactions

		2018	As % of total transaction s of same kind	2017	As % of total transactio ns of same kind
(2)	Procurement of Raw Materials and Finished Goods from Related Parties				
			Note 2		
	Huizhou Gaoshengda Technology Co., Ltd.	1,257,707	1.37%	267,910	0.30%
	Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	405,848	0.44%	116,504	0.13%
	CJ Speedex Logistics Co., Ltd.	340,253	0.37%	-	-
	Huizhou Shenghua Industrial Co., Ltd.	329,165	0.36%	95,296	0.11%
	TCL Very Lighting Technology (Huizhou) Co., Ltd.	257,248	0.28%	-	-
	Qihang Import&Export Limited	242,316	0.26%	3,612	0.00%
	Taiyang Electro-optic (Huizhou) Co., Ltd.	236,562	0.26%	165,533	0.19%
	Wuhan Shangde Plastics Technology Co., Ltd.	132,862	0.14%	125,585	0.14%
	Amlogic Co., Limited	99,940	0.11%	73,399	0.08%
	Guangdong Regency Optics-Electron Corp.	56,909	0.06%	70,255	0.08%
	Shenzhen Jucai Supply Chain Technology Co., Ltd.	44,272	0.05%	-	-
	Shenzhen Thunderbird Smart Products Co., Ltd.	21,841	0.02%	22,856	0.03%
	AGC New Electronic Display Glass (Shenzhen) Co., Ltd.	13,651	0.01%	-	-
	Yizheng Zeyu Electric Light Co., Ltd.	7,371	0.01%	-	-
	Tairui (Hong Kong) Limited	7,337	0.01%	-	-
	Canyon Circuit Technology (Huizhou) Co., Ltd.	3,166	0.00%	-	-
	TCL Rechi (Huizhou) Refrigeration Equipment Co., Ltd.	3,156	0.00%	7,344	0.01%
	Shenzhen Thunderbird Network Media Co., Ltd.	2,457	0.00%	-	-
	Rechi Precision Mechanism (Huizhou) Co., Ltd.	513	0.00%	-	-
	TCL Zhiyi Technology (Huizhou) Co., Ltd.	-	-	11,574	0.01%
	Le Shi Zhi Xin Electronics & Technology (Tianjin) Co., Ltd.	-	-	133,749	0.15%
	Honpe Technology (Shenzhen) Co., Ltd.	-	-	17,054	0.02%
	Shenzhen Thunderbird Network Technology Co.	-	-	37	0.00%
	Huizhou TCL Taidong Shihua Investment Co., Ltd.	-	-	16,114	0.02%
			Note a		

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	3,462,574	3.75%	1,126,822	1.27%
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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.

Note b The amount with Guangdong Regency Optics-Electron Corp. in the table above occurred during Jan.-Nov. 2018 as it became a subsidiary of the Company in December 2018.



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VII Related Parties and Related-Party Transactions (Continued)

3 Major Related-Party Transactions (Continued)

		2018	2017
(3)	Getting Funding from Related Parties	Not e 3	
	Shenzhen Thunderbird Network Technology Co.	436,565	776
	Shenzhen Thunderbird Network Media Co., Ltd.	84,760	21,920
	Qihang Import&Export Limited	64,677	8,427
	Canyon Circuit Technology (Huizhou) Co., Ltd.	60,085	-
	Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	29,876	23,616
	Huizhou Gaoshengda Technology Co., Ltd.	28,907	9,894
	CJ Speedex Logistics Co., Ltd.	25,138	24,890
	Shenzhen Jucai Supply Chain Technology Co., Ltd.	17,346	5,106
	Beijing National Center for Open & Distance Education Co., Ltd.	13,177	8,950
	Huizhou Shenghua Industrial Co., Ltd. (the headquarters)	5,863	-
	Shenzhen Thunderbird Information Technology Co., Ltd.	4,663	450
	Taiyang Electro-optic (Huizhou) Co., Ltd.	4,658	2,930
	Elite Excellent Investments Limited	2,162	2,076
	Shenzhen Thunderbird Smart Products Co., Ltd.	1,620	207
	TV University Online Distance Education Technology Co., Ltd.	1,534	3,308
	Shenzhen Tixiang Enterprise Management Technology Co., Ltd.	845	-
	UNION DYNAMIC INVESTMENT LIMITED	775	761
	Huixing Holdings Limited	668	676
	MARVEL PARADISE LIMITED	641	627
	Huan Tech Co., Ltd.	467	462
	Zijinshan Investment Co., Ltd.	6	-
	Huizhou TCL Resource Investment Co., Ltd.	-	17,899
		<u>784,433</u>	<u>132,975</u>
(4)	Providing Funding for Related Parties	Not e 3	
	Qihang Import&Export Limited	5,230	2,257
	Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	43,000	50,000
	Huizhou Gaoshengda Technology Co., Ltd.	45,819	-
	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	74,722	104,139
	Accepting labour service from related parties	1,297,921	45,311
(6)	Selling Assets to Related Parties		
	T2Mobile (Shanghai) Limited	-	1,942

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Shenzhen Thunderbird Information Technology Co., Ltd.

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VII	Related Parties and Related-Party Transactions (Continued)		
3	Major Related-Party Transactions (Continued)		
		2018	2017
(7)	Selling Equity Interests to Related Parties		
	Active Industries International Limited	-	215,744
	Gaoshengda Holdings (Huizhou) Co., Ltd.	-	112,940
(8)	Service Charges for Related Parties		
	Shenzhen Thunderbird Network Media Co., Ltd.	29,842	-
	Huan Tech Co., Ltd.	1,777	125,444
		Not e 4	
(9)	Receiving Interest from or Paying Interest to Related Parties		
	Interest received	16,421	5,354
	Interest paid	15,854	2,604
(10)	Leases		
	Rental income	45,382	27,351
	Rental expense	42,889	461

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VII Related Parties and Related-Party Transactions (Continued)

3 Major Related-Party Transactions (Continued)

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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VII Related Parties and Related-Party Transactions (Continued)

4 Amounts Due from and to Related Parties

(1) Accounts Receivable from Related Parties

	31 December 2018	31 December 2017
Saipwell TCL Electronics Industrial Technology Co., Ltd.	173,651	167,674
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	136,049	299,867
TCL Sun, Inc.	79,672	73,999
Qihang Import&Export Limited	50,223	162,963
T2Mobile International Limited	46,362	15,365
Palm Venture Group	18,582	-
Shenzhen Thunderbird Smart Products Co., Ltd.	12,513	3,810
Le Shi Zhi Xin Electronics & Technology (Tianjin) Co., Ltd.	3,442	-
T2Mobile (Shanghai) Limited	2,774	404
TCL Zhiyi Technology (Huizhou) Co., Ltd.	1,479	6,764
Huan Tech Co., Ltd.	430	566
Beijing National Center for Open & Distance Education Co., Ltd.	102	98
Huizhou TCL Real Estate Development Co., Ltd.	6	241
Shenzhen Thunderbird Network Media Co., Ltd.	-	70
Good Vision Limited	-	5,454
LG Innotek Huizhou Co., Ltd.	-	10,705
Harvey Holdings Limited	-	44
	<u>525,285</u>	<u>748,024</u>

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VII Related Parties and Related-Party Transactions (Continued)

4 Amounts Due from and to Related Parties

(2) Accounts Payable to Related Parties

	31 December 2018	31 December 2017
Huizhou Gaoshengda Technology Co., Ltd.	359,391	322,688
Huizhou Shenghua Industrial Co., Ltd. (the headquarters)	91,947	-
Taiyang Electro-optic (Huizhou) Co., Ltd.	91,306	74,446
CJ Speedex Logistics Co., Ltd.	81,585	28,085
Shenzhen Jucai Supply Chain Technology Co., Ltd.	24,711	162
AGC New Electronic Display Glass (Shenzhen) Co., Ltd.	14,839	-
Amlogic Co., Limited	14,057	7,163
Wuhan Shangde Plastics Technology Co., Ltd.	8,576	19,487
Shenzhen Thunderbird Network Media Co., Ltd.	2,879	-
TCL Nanyang Electric Appliance (Guangzhou) Co., Ltd.	136	136
Harvey Holdings Limited	12	-
Shenzhen Changcheng Commercial Technology Property Service Co., Ltd.	5	-
Guangdong Regency Optics-Electron Corp.	-	19,441
Le Shi Zhi Xin Electronics & Technology (Tianjin) Co., Ltd.	-	18,790
Yizheng Zeyu Electric Light Co., Ltd.	-	1,037
Huizhou TCL Taidong Shihua Investment Co., Ltd.	-	1,012
Shenzhen Thunderbird Network Technology Co.	-	734
Beijing WeMed Medical Equipment Co., Ltd.	-	31
	<u>689,444</u>	<u>493,212</u>

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VII Related Parties and Related-Party Transactions (Continued)

4 Amounts Due from and to Related Parties (Continued)

(3) Other Receivables from Related Parties

	31 December 2018	31 December 2017
Saipwell TCL Electronics Industrial Technology Co., Ltd.	236,839	-
China Merchants Real Estate (Pingshan, Shenzhen) Co., Ltd.	147,037	-
Active Industries International Limited	88,882	161,795
Harvey Holdings Limited	33,372	42,353
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	22,092	49,500
KAI OS TECHNOLOGIES INC	12,816	43,988
Palm Venture Group	12,266	-
Wuhan Lesheng Times Trading Co., Ltd.	8,000	-
Hubei Changjiang Hezhi Equity Investment Fund Partnership (Limited Partnership)	7,845	-
Good Vision Limited	5,722	-
Shenzhen Jucai Supply Chain Technology Co., Ltd.	3,358	-
Shenzhen Thunderbird Smart Products Co., Ltd.	1,849	36
Le Shi Zhi Xin Electronics & Technology (Tianjin) Co., Ltd.	800	800
Shenzhen Tixiang Enterprise Management Technology Co., Ltd.	341	-
Nanjing Zijin Chuangdong Investment Partnership (Limited Partnership)	296	-
Shenzhen Thunderbird Network Media Co., Ltd.	251	695
Wealthy Way Group Limited	78	-
Huan Tech Co., Ltd.	22	3
Shenzhen Changcheng Commercial Technology Property Service Co., Ltd.	21	-
Xionghua Investment Co., Ltd.	17	17
LG Innotek Huizhou Co., Ltd.	10	-
T2Mobile International Limited	6	-
Changzhou Chuangdong Fund Management Co., Ltd.	2	-
Shenzhen Jiutian Matrix Investment Management Co., Ltd.	2	-
Xinjiang Dongpeng Weichuang Equity Investment Partnership (Limited Partnership)	-	40,300
Beijing WeMed Medical Equipment Co., Ltd.	-	3,777
T2Mobile (Shanghai) Limited	-	3,676
Shanghai Chuangxiang Venture Capital Partnership (Limited Partnership)	-	2,180
Shenzhen Thunderbird Information Technology Co., Ltd.	-	762
Shenzhen Thunderbird Network Technology Co.	-	545
Guangdong Regency Optics-Electron Corp.	-	184
Tianjin 712 Communication & Broadcasting Co., Ltd.	-	6
	<u>581,924</u>	<u>350,617</u>

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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	31 December 2018	31 December 2017
	Shenzhen Thunderbird Network Technology Co.	409,752	-
	CJ Speedex Logistics Co., Ltd.	87,330	68,590
	Qihang Import&Export Limited	59,446	6,170
	Opta Corporation	34,190	32,610
	Good Vision Limited	5,708	5,440
	AGC New Electronic Display Glass (Shenzhen) Co., Ltd.	4,659	-
	Beijing National Center for Open & Distance Education Co., Ltd.	3,282	300
	Elite Excellent Investments Limited	2,162	2,076
	TCL Nanyang Electric Appliance (Guangzhou) Co., Ltd.	2,035	255
	Jinpe Technology (HK) Co., Limited	1,976	1,396
	Wuhan Shangde Plastics Technology Co., Ltd.	784	784
	Shenzhen Yisheng Kangyun Technology Development Co., Ltd.	777	786
	UNION DYNAMIC INVESTMENT LIMITED	775	761
	Huizhou Shenghua Industrial Co., Ltd. (the headquarters)	718	-
	Huixing Holdings Limited	668	676
	MARVEL PARADISE LIMITED	641	627
	Shenzhen Thunderbird Information Technology Co., Ltd.	241	-
	T2Mobile Limited	176	166
	Hubei Changjiang Hezhi Equity Investment Fund Management Co., Ltd.	172	74
	TV University Online Distance Education Technology Co., Ltd.	139	141
	Taiyang Electro-optic (Huizhou) Co., Ltd.	93	93
	Urumqi Dongpeng Chuangdong Equity Investment Management Partnership (Limited Partnership)	42	35
	Honpe Technology (Shenzhen) Co., Ltd.	27	238
	T2Mobile (Shanghai) Limited	14	-
	Zijinshan Investment Co., Ltd.	6	-
	Gaoweida Digital Technology (Huizhou) Co., Ltd.	2	2
	Huizhou TCL Real Estate Development Co., Ltd.	2	2,385
	Canyon Circuit Technology (Huizhou) Co., Ltd.	1	-
	China Merchants Real Estate (Pingshan, Shenzhen) Co., Ltd.	-	109,754
	Huizhou Gaoshengda Technology Co., Ltd.	-	17,359
	Huizhou TCL Resource Investment Co., Ltd.	-	6,267
	Wealthy Way Group Limited	-	986
	TCL Mingchuang (Xi'an) Co., Ltd.	-	161



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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)

	31 December 2018	31 December 2017
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
Xizang Dongwei Investment Management Center (Limited Partnership)	-	3
LG Innotek Huizhou Co., Ltd.	-	2
	615,818	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	31 December 2018	31 December 2017
Le Shi Zhi Xin Electronics & Technology (Tianjin) Co., Ltd.	-	607
(6) Notes Payable to Related Parties	31 December 2018	31 December 2017
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	-	14,377
(7) Prepayments to Related Parties	31 December 2018	31 December 2017
CJ Speedex Logistics Co., Ltd.	1,758	1,760
T2Mobile (Shanghai) Limited	1,130	1,784
Shenzhen Jucai Supply Chain Technology Co., Ltd.	29	-
Le Shi Zhi Xin Electronics & Technology (Tianjin) Co., Ltd.	18	2,128
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	-	22,693
Honpe Technology (Shenzhen) Co., Ltd.	-	1,056
	<u>2,935</u>	<u>29,421</u>
(8) Advances from Related Parties	31 December 2018	31 December 2017
Qihang Import&Export Limited	7,526	-
Palm Venture Group	25	-
Huizhou Gaoshengda Technology Co., Ltd.	10	7
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	-	131
TCL Sun, Inc.	-	69
CJ Speedex Logistics Co., Ltd.	-	1
	<u>7,561</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

	31 December 2018	31 December 2017
TV University Online Distance Education Technology Co., Ltd.	47,656	-
Saipwell TCL Electronics Industrial Technology Co., Ltd.	92	88
Xinjiang Dongpeng Weichuang Equity Investment Partnership (Limited Partnership)	-	11,015
	<u>47,748</u>	<u>11,103</u>

(10) Interest Receivable from Related Parties

	31 December 2018	31 December 2017
Harvey Holdings Limited	4,953	2,411
Qihang Import&Export Limited	78	-
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	71	77
Huizhou Gaoshengda Technology Co., Ltd.	34	-
Canyon Circuit Technology (Huizhou) Co., Ltd.	18	-
	<u>5,154</u>	<u>2,488</u>

(11) Deposits from Related Parties

	31 December 2018	31 December 2017
Shenzhen Thunderbird Network Media Co., Ltd.	84,760	21,920
Canyon Circuit Technology (Huizhou) Co., Ltd.	60,085	-
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	29,876	23,616
Huizhou Gaoshengda Technology Co., Ltd.	28,907	9,402
Shenzhen Thunderbird Network Technology Co.	26,565	776
Shenzhen Jucai Supply Chain Technology Co., Ltd.	17,346	5,106
CJ Speedex Logistics Co., Ltd.	14,465	23,724
Beijing National Center for Open & Distance Education Co., Ltd.	13,032	8,809
Huizhou Shenghua Industrial Co., Ltd. (the headquarters)	5,144	-
Shenzhen Thunderbird Information Technology Co., Ltd.	4,663	450
Taiyang Electro-optic (Huizhou) Co., Ltd.	4,565	2,837
Shenzhen Thunderbird Smart Products Co., Ltd.	1,620	207
TV University Online Distance Education Technology Co., Ltd.	1,394	3,167
Shenzhen Tixiang Enterprise Management Technology Co., Ltd.	845	17,178
Huan Tech Co., Ltd.	467	462
	<u>293,734</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:

	31 December 2018	31 December 2017
Year 1	101,775	61,451
Year 2	87,092	52,297
Year 3	42,858	43,809
Thereafter	67,742	52,515
	<u>299,467</u>	<u>210,072</u>

2 Capital Commitments

	31 December 2018	31 December 2017
Under contractual obligations but not provided for	8,609,241	8,322,088
Approved by Board but not under contractual obligations	8,627	-
	<u>8,617,868</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 31 December 2018, except for the disclosures above, there were no other major commitments that are required to be disclosed.

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IX Contingencies

Guarantees Provided for External Parties

The guarantee amount for associates' bank loans, commercial drafts, letters of credit, etc. is RMB1,112,147,000.

As at 31 December 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 31 December 2018.

X Events after Balance Sheet Date

- 1 On 7 December 2018, the Proposal on the Major Asset Sale & Related-Party Transaction Report (Draft) and Its Summary, as well as the related proposals were approved at the 13<sup>th</sup> Meeting of the 6<sup>th</sup> Board. According to the proposals, the Company would sell for a total amount of RMB4.76 billion certain direct equity holdings (the 100.00% interest of TCL Industries Holdings (HK) Limited, the 100.00% interest of TCL Technology Park Co., Ltd., the 100.00% interest of Huizhou TCL Household Electric Appliance Group Co., Ltd., the 100.00% interest of TCL Home Appliances (HeFei) Co., Ltd., the 100.00% interest of Koyoo Online Service Co., Ltd., a 55.00% interest in Huizhou Cool Friends Network Technology Co., Ltd. ("Cool Friends Technology") and a 36.00% interest in Getech Ltd.), as well as certain indirect equity holdings (a 75.00% interest in JDH Information Tech (Zhuhai) Co., Ltd. held via the wholly-owned subsidiary TCL Finance Holdings Group (Guangzhou) Co., Ltd. and a 1.50% interest in Cool Friends Technology held via Huizhou TCL Light Electrical Appliances Co., Ltd.). Up to the balance sheet date of the 2018 annual financial statements, the said restructuring plan was yet to be approved by a general meeting.

On 7 January 2019, the Proposal on the Major Asset Sale & Related-Party Transaction Report (Draft) and Its Summary, as well as the related proposals were approved at the First Extraordinary General Meeting of 2019. And the restructuring was implemented as resolved. Up to 12 March 2019, the transaction parties had completed the approval/filing procedures on the target assets with the development and reform commission and the commercial administration; and the Company had received from the transaction counterparty the first payment of RMB1.428 billion as per the Agreement on the Sale of Major Assets.

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X Events after Balance Sheet Date (Continued)

- 2 As per the 2018 Annual Profit Distribution Plan approved at the 15<sup>th</sup> Meeting of the 6<sup>th</sup> Board on 19 March 2019, based on the share capital of 13,402,888,507 shares on 19 March 2019 that are eligible for profit distribution (the total share capital of 13,549,648,507 shares minus the 146,760,000 shares in the Company's special securities account for repurchase that are not eligible for profit distribution), a cash dividend of RMB1 (tax inclusive) per 10 shares is to be distributed to the shareholders, totaling RMB1,340,288,851. Meanwhile, there will be no bonus issue from either profit or capital reserves for the year under review.

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 Notes to Financial Statements of the Company as Parent

1 Accounts Receivable

	31 December 2018	31 December 2017
Notes receivable	20,497	23,031
Accounts receivable	194,959	340,349
	215,456	363,380

(1) Accounts Receivable by Aging:

	31 December 2018				31 December 2017			
	Amount	Percentage	Allowance for doubtful accounts	Allowance ratio	Amount	Percentage	Allowance for doubtful accounts	Allowance ratio
Within 1 year	194,959	100.00%	-	0.00%	340,349	100.00%	-	0.00%

As at 31 December 2018, there were no such accounts receivable from any shareholder with a 5% or greater voting stock.

2 Other Receivables

	31 December 2018	31 December 2017
Interest receivable	212,200	103,343
Dividends receivable	4,211,824	3,458,737
Other receivables	18,773,353	13,640,338
	215,456	363,380

(1) Other Receivables by Aging:

	31 December 2018				31 December 2017			
	Amount	Percentage	Allowance for doubtful accounts	Allowance ratio	Amount	Percentage	Allowance for doubtful accounts	Allowance ratio
Within 1 year	11,333,489	78.62%	-	0.00%	8,840,984	86.97%	-	0.00%
1-2 years	2,506,592	17.39%	-	0.00%	1,006,354	9.90%	-	0.00%
2-3 years	316,189	2.19%	-	0.00%	110,185	1.08%	-	0.00%
Over 3 years	258,932	1.80%	65,873	25.44%	209,295	2.05%	88,560	42.31%
	14,415,202	100.00%	65,873	0.46%	10,166,818	100.00%	88,560	0.87%

The outstanding other receivables were mostly current accounts with related parties. As at 31 December 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 RMB6,598,913,000 (31 December 2017:

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RMB7,362,890), accounting for 45.78% of the total other receivables (31 December 2017: 72.42%).



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

3 Available-for-Sale Financial Assets

	31 December 2018	31 December 2017
Available-for-sale equity instruments——at fair value (note)	40,736	79,824
Available-for-sale equity instruments——at cost	1,144,694	1,144,694
	1,185,430	1,224,518

Note Available-for-Sale Equity Instruments——at Fair Value

	31 December 2018	31 December 2017
Cost	40,000	40,000
Changes in fair value	736	39,824
	40,736	79,824

4 Long-Term Equity Investments

	31 December 2018			31 December 2017		
	Gross amount	Impairment allowance	Carrying amount	Gross amount	Impairment allowance	Carrying amount
Long-term equity investments at equity method	9,545,711		9,545,711	8,889,011	-	8,889,011
Of which: Associates (1)	9,526,568		9,526,568	8,866,421	-	8,866,421
Joint ventures (1)	19,143		19,143	22,590	-	22,590
Subsidiaries (2)	32,257,739		32,257,739	26,094,554	-	26,094,554
	41,803,450		41,803,450	34,983,565	-	34,983,565

As at 31 December 2018, there were no significant restrictions on sale of the long-term equity investments or collection of the investment income.

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XI 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						31 December 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	-	10,445	-	-	(10,135)	-	2,038	83,902
Huan Tech Co., Ltd.	158,042	(1,190)	22,322	-	-	-	-	1,190	180,364
TCL Nanyang Electric Appliance (Guangzhou) Co., Ltd.	2,291	-	(268)	-	-	-	-	-	2,023
Gaoshengda Holdings (Huizhou) Co., Ltd.	49,733	(61,051)	11,318	-	-	-	-	-	-
Waterway Construction Investment Co., Ltd.	48,081	-	(223)	-	-	-	-	(47,858)	-
Canyon Circuit Technology (Huizhou) Co., Ltd.	-	-	3,286	-	-	-	-	(3,286)	-
Huizhou TCL Resource Investment Co., Ltd.	65,532	(269,500)	(65,533)	-	-	-	-	269,501	-
Zhongxin Financial Capital Management Company Limited	-	-	-	-	-	-	-	-	-
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	53,012	-	(7,978)	-	-	-	-	-	45,034
Bank of Shanghai Co., Ltd.	7,630,711	-	899,703	27,863	-	(194,713)	-	-	8,363,564

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XI 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							31 December 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	-	19,943	-	-	-	-	-	140,286
Shenzhen Tixiang Enterprise Management Technology Co., Ltd.	-	2,000	13	-	-	-	-	-	2,013
Taiyang Electro-optic (Huizhou) Co., Ltd.	12,921	(11,627)	1,508	-	-	-	-	(2,802)	-
Shenzhen Jucai Supply Chain Technology Co., Ltd.	6,000	-	(842)	-	-	-	-	-	5,158
Huizhou TCL Taidong Shihua Investment Co., Ltd.	22,590	-	(3,447)	-	-	-	-	-	19,143
Other	638,201	(1,200)	41,474	-	-	-	-	25,749	704,224
	<u>8,889,011</u>	<u>(342,568)</u>	<u>931,721</u>	<u>27,863</u>	<u>-</u>	<u>(204,848)</u>	<u>-</u>	<u>244,532</u>	<u>9,545,711</u>

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

4 Long-Term Equity Investments (Continued)

(2) Subsidiaries

	Voting right percent age	1 January 2018	Increase in current period	Decrease in current period	31 December 2018
TCL Industries Holdings (HK) Limited	100.00%	1,344,042	-	(16,160)	1,327,882
Shenzhen China Star Optoelectronics Technology Co., Ltd.	87.80%	18,727,299	3,168,399	-	21,895,698
Huizhou TCL Household Electric Appliance Group Co., Ltd.	100.00%	448,000	-	-	448,000
TCL Commercial Information Technolog (Huizhou) Co., Ltd.	-	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
Wuhan TCL Industrial Technology Research Institute, Ltd.	100.00%	-	20,000	-	20,000
Huizhou TCL Environmental Resource Co., Ltd.	100.00%	300,000	-	(27,000)	273,000
Highly Information Industry Co., Ltd.	73.69%	107,296	-	-	107,296
Shenzhen TCL Industrial Technology Research Institute, Ltd.	-	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	-	-	1,256,003
Shenzhen TCL High-Tech Development Co., Ltd.	100.00%	20,000	-	-	20,000
Huizhou TCL Hongchuang Technology Co., Ltd.	-	5,000	-	(5,000)	-
Huizhou TCL International Hotels Limited	-	49,993	-	(49,993)	-
Guangzhou TCL Science and Technology Development Co., Ltd.	-	230,000	-	(230,000)	-
Xi'an TCL Industrial Technology Research Institute Co., Ltd.	-	150,000	-	(150,000)	-
TCL Home Appliances (Hefei) Co., Ltd.	100.00%	300,000	-	-	300,000
Huizhou TCL Light Electrical Appliances Co., Ltd.	100.00%	40,037	30,000	-	70,037
Huarui (Huizhou) Co., Ltd.	-	51,000	-	(51,000)	-
Shenzhen TCL Real Estate Co., Ltd.	-	212,958	-	(212,958)	-
Huizhou Taichuang Investment Development Co., Ltd.	-	50,000	-	(50,000)	-

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Guangzhou Xitian Technology Information Co., Ltd.	-	15,000	-	(15,000)	-
Guangzhou Yunsheng Tianji Technology Co., Ltd.	-	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	487,000	-	772,000
Guangzhou TCL Internet Microcredit Co Ltd.	100.00%	200,000	300,000	-	500,000
Shenzhen HAWK Internet Co., Ltd.	100.00%	350,000	-	-	350,000
HAWK Digital Entertainment Technology (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.	79.84%	135,624	270,000	-	405,624

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

4 Long-Term Equity Investments (Continued)

(2) Subsidiaries (Continued)

	Voting right percent age	1 January 2018	Increase in current period	Decrease in current period	31 December 2018
Shenzhen HAWK Cloud Information Technology Co., Ltd.	100.00%	20,000	-	-	20,000
TCL Technology Park (Huizhou) Co., Ltd.	100.00%	285,324	340,000	-	625,324
TCL Technology Park Co., Ltd.	100.00%	150,000	2,413,631	-	2,563,631
Huizhou Sailuote Communication Co., Ltd.	100.00%	82,500	-	-	82,500
TCL Medical Radiological Technology (Beijing) Co., Ltd.	100.00%	58,497	-	-	58,497
Beijing Zhiqujia Technology Co., Ltd.	100.00%	-	-	-	-
Shenzhen TCL Strategic Equity Investment Fund Partnership (Limited Partnership)	100.00%	-	20,000	-	20,000
Getech Ltd.	100.00%	-	36,000	-	36,000
Equity incentives of subsidiaries	-	-	27,766	-	27,766
		<u>26,094,554</u>	<u>7,186,636</u>	<u>(1,023,451)</u>	<u>32,257,739</u>

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

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

5 Operating Revenue and Cost of Sales

	2018		2017	
	Operating revenue	Cost of sales	Operating revenue	Cost of sales
Core business	1,255,708	1,247,345	1,190,871	1,176,703
Non-core business	800,242	607,278	420,638	346,587
	<u>2,055,950</u>	<u>1,854,623</u>	<u>1,611,509</u>	<u>1,523,290</u>

6 Return on Investment

	2018	2017
Income from disposal of wealth management instruments	412,800	390,041
Dividends from subsidiaries	5,384,073	3,675,589
Share of profit of associates for current period	935,168	604,150
Share of profit of joint ventures for current period	(3,447)	(4,278)
Income from holding available-for-sale financial assets	31,282	21,147
Net income from disposal of long-term investments	366,517	9,862
	<u>7,126,393</u>	<u>4,696,511</u>

As at 31 December 2018, there were no significant restrictions on the collection of the investment income.

7 Net Cash Generated from/Used in Operating Activities

Net cash used in operating activities in the cash flow statement of the Company as the parent was RMB 4,899,956,000.

8 Cash and Cash Equivalents, End of the Period

Cash and cash equivalents, end of the period of the Company as the parent was RMB 1,328,679,000.

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

9 Contingent Liabilities

The following table presents the contingent liabilities with no provisions in the financial statements as at 31 December 2018:

	31 December 2018	31 December 2017
Guarantees for commercial drafts and letters of guarantee of subsidiaries	25,162,875	13,870,451
Guarantees for bank loans of subsidiaries	23,408,535	11,580,724
Guarantees for bank loans and commercial drafts of joint ventures and associates	1,112,147	667,610

As at 31 December 2018, the Company estimated that the guarantees above were not likely to cause a material loss.

XII Comparative Data

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



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XIII Non-Recurring Gains and Losses

	2018	2017
Gain or loss on disposal of non-current assets (inclusive of impairment allowance write-offs)	(58,305)	420,543
Government subsidies charged to current profit or loss (exclusive of government subsidies given in the Company's ordinary course of business at fixed quotas or amounts as per the government's uniform standards)	1,377,065	1,159,442
Gain equal to the amount by which investment costs for the Company to obtain subsidiaries, associates and joint ventures are lower than the Company's enjoyable fair value of identifiable net assets of investees when making investments	-	191,917
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)	162,729	(207,276)
Non-operating income and expense other than the above	871,847	504,575
Income tax effects	(191,942)	(310,502)
Non-controlling interests effects	<u>(280,578)</u>	<u>(284,952)</u>
Non-recurring gains and losses attributable to ordinary shareholders of the Company as parent	<u>1,880,816</u>	<u>1,473,747</u>

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).

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XIV 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	3,468,207	11.98%	0.2566	0.2562
Net profit attributable to ordinary shareholders of the Company before non-recurring gains and losses	1,587,391	5.48%	0.1175	0.1173

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.

TCL Corporation  
19 March 2019

The financial statements and the notes thereto from page 1 to page 177 are signed by:

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