IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES. THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE ADDRESSEES OUTSIDE OF THE UNITED STATES.

IMPORTANT: You must read the following before continuing. The following applies to the offering circular (the "**Offering Circular**") following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from the Issuer and the Company (each as defined in the Offering Circular) as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THIS OFFERING IS MADE SOLELY IN OFFSHORE TRANSACTIONS PURSUANT TO REGULATION S UNDER THE SECURITIES ACT.

THE OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON, ELECTRONICALLY OR OTHERWISE, AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

MIFID II product governance/Professional investors and ECPs only target market: Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

Confirmation of your Representation: In order to be eligible to view the Offering Circular or make an investment decision with respect to the Notes, investors must not be located in the United States. This Offering Circular is being sent at your request and by accepting the e-mail and accessing the Offering Circular, you shall be deemed to have represented to the Issuer and the Joint Lead Managers (as defined in the Offering Circular) that (1) you and any customers you represent are not in the United States, (2) the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States, and (3) you consent to delivery of such Offering Circular and any amendments or supplements thereto by electronic transmission.

The Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither the Issuer, the Company, the Joint Lead Managers, the Trustee, the Agents nor any person who controls any of them nor their respective directors, officers, employees, representatives nor agents, nor affiliates of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Joint Lead Managers.

The attached document is being furnished in connection with an offering in offshore transactions in compliance with Regulation S under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described herein.

Restrictions: Nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of either the Issuer, the Company, the Joint Lead Managers, the Trustee or the Agents (each as defined in the Offering Circular) to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute in the United States or elsewhere a general solicitation or general advertising (as those terms are used in Regulation D under the Securities Act) or directed selling efforts (within the meaning of Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licensed broker or dealer and any Joint Lead Manager or any affiliate of them is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Joint Lead Manager or such affiliate on behalf of the Issuer in such jurisdiction.

You are reminded that you have accessed the Offering Circular on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Offering Circular, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you are not allowed to purchase any of the securities described in the attached.

Actions that You May Not Take: If you receive the Offering Circular by e-mail, you should not reply by e-mail to the Offering Circular, and you may not purchase any Notes by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

OFFERING CIRCULAR STRICTLY CONFIDENTIAL

TCL TECHNOLOGY INVESTMENTS LIMITED

(incorporated in the British Virgin Islands with limited liability)

U.S.$300,000,000 1.875 per cent. credit enhanced notes due 2025

with the benefit of a Keepwell Deed provided by

TCL TECHNOLOGY GROUP CORPORATION
(TCL科技集團股份有限公司)

(incorporated in the People's Republic of China with limited liability)

and an irrevocable Standby Letter of Credit provided by

BANK OF CHINA LIMITED, GUANGDONG BRANCH

Issue Price: 99.981 per cent.

The U.S.$300,000,000 1.875 per cent. credit enhanced notes due 2025 (the "**Notes**") will be issued by TCL Technology Investments Limited (the "**Issuer**"). The Issuer is an indirect wholly-owned subsidiary of TCL Technology Group Corporation (TCL科技集團股份有限公司) (the "**Company**").

Payments of principal, premium (if any) and interest in respect to the Notes and the fees and expenses in connection with the Notes and the Trust Deed (each as defined herein) will have the benefit of an irrevocable standby letter of credit (the "**SBLC**") denominated in U.S. dollars up to U.S.$329,125,000 issued by Bank of China Limited, Guangdong Branch (the "**SBLC Bank**"). See "*Appendix A — Form of Irrevocable Standby Letter of Credit*" for the form of the SBLC.

The Notes bear interest on their outstanding principal amount from and including 14 July 2020 at the rate of 1.875 per cent. per annum, payable semi-annually in arrear in equal instalments of U.S.$9.375 per Calculation Amount (as defined in the Terms and Conditions of the Notes) on 14 January and 14 July of each year (each an "**Interest Payment Date**"). All payments of principal, premium (if any) and interest by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands, Hong Kong or the PRC or any political subdivision or authority therein or thereof having power to tax to the extent described under "*Terms and Conditions of the Notes — Taxation*".

The Notes constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes shall, save for such exceptions as may be provided by applicable law, at all times rank at least equally with all the Issuer's other present and future unsecured and unsubordinated obligations.

The Issuer and the Company will enter into a keepwell deed (the "**Keepwell Deed**") with Bank of China (Hong Kong) Trustees Limited (the "**Trustee**") as trustee of the Noteholders as further described in "*Terms and Conditions of the Notes*" and "*Description of the Keepwell Deed*" on or about 14 July 2020. The Keepwell Deed does not constitute a guarantee by the Company of the obligations of the Issuer under the Notes or the Trust Deed.

Pursuant to the Circular on Promoting the Administration System on the Issuance by Enterprises of Foreign Debt Filing and Registrations (the "**NDRC Circular**") (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知) (發改外資 [2015] 2044號) issued by the NDRC on 14 September 2015 and which came into effect on the same day, the Company has registered the issuance of the Notes with the NDRC and obtained a certificate from NDRC on 18 May 2020 evidencing such registration and intends to provide the requisite information on the issuance of the Notes within 10 PRC Business Days (as defined in the "*Terms and Conditions of the Notes*") following the Issue Date (as defined below).

Unless previously redeemed, or purchased and cancelled, the Notes will mature on 14 July 2025 at their principal amount. The Notes are subject to redemption, in whole but not in part, at their principal amount, together with accrued interest, at the option of the Issuer at any time in the event of certain changes affecting taxes of the British Virgin Islands, Hong Kong or the PRC or any political subdivision or any authority thereof or therein having power to tax. See "*Terms and Conditions of the Notes — Redemption and Purchase — Redemption for Taxation Reasons*". At any time following the occurrence of a Change of Control (as defined in the Terms and Conditions of the Notes), the holder of any Note will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that holder's Notes on the Put Settlement Date (as defined in the Terms and Conditions of the Notes) at their principal amount, together with accrued interest up to but excluding such Put Settlement Date. See "*Terms and Conditions of the Notes — Redemption and Purchase — Redemption for Change of Control*". For a more detailed description of the Notes, see "*Terms and Conditions of the Notes*".

The Notes will be issued in denominations of U.S.$200,000 each and integral multiples of U.S.$1,000 in excess thereof.

The Notes are expected to be rated "A1" by Moody's Investors Service, Inc. ("**Moody's**"). A credit rating accorded to the Notes is not a recommendation to purchase, sell or hold the Notes in as much as such rating does not comment as to market price or suitability for a particular investor. There can be no assurance that the rating will remain in effect for a given period or that the rating will not be revised by the rating agency in the future.

Investing in the Notes involves risks. See "*Risk Factors*" beginning on page 24 for a discussion of certain factors to be considered in connection with an investment in the Notes.

In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the **SFA**) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA) that the Notes are prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

The Notes and the SBLC have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any other jurisdiction and the Notes may not be offered or sold within the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act. The Notes are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S under the Securities Act. For a description of these and certain further restrictions on offers and sales of the Notes and the distribution of this Offering Circular, see "*Subscription and Sale*".

Approval in-principle has been received from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for the listing and quotation of the Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Offering Circular. Approval in-principle from, admission to the Official List of, and listing and quotation of the Notes on, the SGX-ST are not to be taken as an indication of the merits of the offering of the Notes, the Issuer, the Company, the Group, their respective subsidiaries or the quality of disclosure in this Offering Circular. For so long as such Notes are listed on the SGX-ST and the rules of the SGX-ST so require, such Notes will be traded on the SGX-ST in a minimum board lot size of at least U.S.$200,000.

The Notes will be represented by beneficial interests in a global certificate (the "**Global Certificate**") in registered form, which will be registered in the name of a nominee for, and shall be deposited on or about 14 July 2020 (the "**Issue Date**") with, a common depositary for, Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"). Beneficial interests in the Global Certificate will be shown on, and transfer thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described herein, certificates for Notes will not be issued in exchange for interests in the Global Certificate.

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Bank of China **Bank of China (Hong Kong)**

Joint Bookrunners and Joint Lead Managers

Admiralty Harbour | **The Bank of East Asia, Limited** | **BNP PARIBAS** | **Crédit Agricole CIB** | **DBS Bank Ltd.** | **ICBC (Asia)** | **Natixis** | **Société Générale Corporate & Investment Banking** | **Standard Chartered Bank**

Offering Circular dated 7 July 2020

IMPORTANT NOTICE

THIS OFFERING CIRCULAR DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY SECURITIES IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE THE OFFER OR SOLICITATION IN SUCH JURISDICTION. NEITHER THE DELIVERY OF THIS OFFERING CIRCULAR NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES IMPLY THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER, THE COMPANY OR ANY OF THEIR RESPECTIVE SUBSIDIARIES OR THAT THE INFORMATION SET OUT IN THIS OFFERING CIRCULAR IS CORRECT AS OF ANY DATE SUBSEQUENT TO THE DATE OF THIS OFFERING CIRCULAR.

In connection with Section 309B of the SFA and the CMP Regulations 2018, the Issuer has determined the classification of the Notes as prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

The Issuer and the Company accept full responsibility for the information contained in this Offering Circular and confirm, having made all reasonable enquiries, that to the best of the knowledge and belief of the Issuer and the Company there are no other facts the omission of which would make any statement herein misleading.

Each of the Issuer and the Company, having made all reasonable enquiries, confirms that (i) this Offering Circular contains all information with respect to the Issuer, the Company and their respective subsidiaries (taken as a whole, the "**Group**"), the Keepwell Deed, the SBLC and the Notes which is material in the context of the issue and offering of the Notes, (ii) there are no other facts in relation to the Issuer, the Group, the Keepwell Deed, the SBLC or the Notes the omission of which would, in the context of the issue and offering of the Notes, make any statement in this Offering Circular in any material respect misleading, (iii) this Offering Circular does not and, if amended or supplemented, at the date of any such amendment or supplement will not, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, (iv) all statements of fact contained in this Offering Circular relating to the Issuer, the Group, the Keepwell Deed, the SBLC and the Notes are, and any amendment or supplement to this Offering Circular, at the respective dates thereof will be, in every material respect true and accurate and not misleading, (v) all statements of opinion, intention, belief or expectation contained in this Offering Circular are, and any amendment or supplement to the Offering Circular, at the date of its publication will be, truly and honestly held and were or have been made after due and careful consideration of all relevant circumstances and were based on reasonable assumptions, (vi) all reasonable enquiries have been and will be made by the Issuer and the Company to ascertain such facts and to verify the accuracy of all such statements, and (vii) the statistical, industry and market-related data and forward-looking statements, as well as statements relating to the SBLC

Bank included in this Offering Circular, are based on or derived or extracted from sources which each of the Issuer and the Company believes to be accurate and reliable in all material respects, and represent each of their good faith estimates that are made on the basis of data so derived from such sources. Each of the Issuer and the Company has taken reasonable care in reproducing or extracting such data into this Offering Circular and, to the extent required, the Issuer and the Company have obtained the written consent to the use of such data from such sources.

Notwithstanding the foregoing, the information included in this Offering Circular regarding Bank of China Limited ("**BOC**") in relation to disclosures relating to the SBLC Bank is for information purposes only and is based on, or derived or extracted from, among other sources, publicly available information. Any information available from public sources that are referenced in this Offering Circular but is not separately included in this Offering Circular shall not be deemed to be incorporated by reference to this Offering Circular. The Issuer and the Company have taken reasonable care in the compilation and reproduction of the information. However, none of the Issuer, the Company, the Joint Lead Managers, the Trustee or the Agents (as defined in the Terms and Conditions of the Notes) or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them has independently verified such information. No representation or warranty, express or implied, is made or given by the Issuer, the Company, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them as to the accuracy, completeness or sufficiency of such information. Accordingly, such information should not be unduly relied upon.

The Issuer and the Company have prepared this Offering Circular solely for use in connection with the proposed offering of the Notes described in this Offering Circular. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of Bank of China Limited, Bank of China (Hong Kong) Limited, Admiralty Harbour Capital Limited, The Bank of East Asia, Limited, BNP Paribas, Crédit Agricole Corporate and Investment Bank, DBS Bank Ltd., Industrial and Commercial Bank of China (Asia) Limited, Natixis, Société Générale and Standard Chartered Bank (acting as the "**Joint Lead Managers**"), the Issuer, the Company, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them to subscribe for or purchase any of the Notes and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful. The distribution of this Offering Circular and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Company and the Joint Lead Managers to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Notes or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Notes, and the circulation of documents relating thereto, in certain jurisdictions including the United States, the United Kingdom, Hong Kong, the PRC, Singapore and Japan and to persons connected therewith. For a description of certain further restrictions on offers and sales of the Notes, and distribution of this Offering Circular, see

"*Subscription and Sale*". By purchasing the Notes, investors represent and agree to all of those provisions contained in that section of this Offering Circular. This Offering Circular is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire Notes. Distribution of this Offering Circular to any other person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorised. Each prospective investor, by accepting delivery of this Offering Circular, agrees to the foregoing and to make no photocopies of this Offering Circular or any documents referred to in this Offering Circular.

No person has been or is authorised to give any information or to make any representation concerning the Issuer, the Company, the Group or the Notes other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Company, the Joint Lead Managers, the Trustee or the Agents or their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Notes shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Company, the Group or any of them since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof.

This Offering Circular is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire securities. This Offering Circular may not be copied or reproduced in whole or in part. It may be distributed only to and its contents may be disclosed only to the prospective investors to whom it is provided. By accepting delivery of this Offering Circular each investor agrees to these restrictions.

None of the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them has independently verified the information contained in this Offering Circular. Accordingly, no representation, warranty or undertaking, express or implied, is made or given and no responsibility or liability is accepted, by the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them, as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular or any other information supplied in connection with the Notes and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, officers, employees, representatives, agents, directors, advisers or any person who controls any of them. This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by any of the Issuer, the Company, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, officers, employees, representatives, agents, directors, advisers or each person who controls any of them that any recipient of this Offering Circular should purchase the Notes. Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Lead Managers, the Trustee, the Agents or on any person affiliated with the Joint Lead Managers, the Trustee or the Agents in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of the Issuer, the Company and the Group and the merits and risks involved in investing in the Notes. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Notes.

It is expected that the Notes will, when issued, be assigned a rating of "A1" by Moody's. The rating will relate to the timely payments of interest and principal on the Notes. A rating is not a recommendation to buy, sell or hold securities, does not address the likelihood or timing of prepayment and may be subject to revision, qualification, suspension, reduction or withdrawal at any time by the assigning rating organisation. A revision, qualification, suspension, reduction or withdrawal of any rating assigned to the Notes may adversely affect the market price of the Notes.

To the fullest extent permitted by law, none of the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them accepts any responsibility for the contents of this Offering Circular and assume no responsibility for the contents, accuracy, completeness or sufficiency of any such information or for any other statement, made or purported to be made by the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them or on their behalf in connection with the Issuer, the Company, the Group, the SBLC, the SBLC Bank, the Keepwell Deed or the issue and offering of the Notes. Each of the Joint Lead Managers, the Trustee and the Agents and their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them accordingly disclaims all and any liability, whether arising in tort or contract or otherwise, which it might otherwise have in respect of this Offering Circular or any such statement. None of the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them undertakes to review the results of operations, financial condition or affairs of the Issuer, the Company or the Group during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Notes of any information coming to the attention of the Joint Lead Managers, the Trustee or the Agents.

IN CONNECTION WITH THIS OFFERING, ANY OF THE JOINT LEAD MANAGERS APPOINTED AND ACTING IN ITS CAPACITY AS STABILISATION MANAGER (THE "STABILISATION MANAGER") OR ANY PERSON(S) ACTING FOR THE STABILISATION MANAGER MAY, SUBJECT TO ALL APPLICABLE LAWS, OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISATION MANAGER (OR PERSON(S) ACTING ON BEHALF OF THE

STABILISATION MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD.

In making an investment decision, investors must rely on their own examination of the Issuer, the Company, the Group, the SBLC Bank, the Keepwell Deed, the SBLC and the terms of the offering, including the merits and risks involved. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Notes.

The Issuer, the Group, the Joint Lead Managers, the Trustee, the Agents and their respective directors, officers, employees, representatives, advisers, agents and affiliates are not making any representation to any purchaser of Notes regarding the legality of any investment in the Notes by such purchaser under any legal investment or similar laws or regulation. The contents of this Offering Circular should not be construed as providing legal, business, accounting or investment advice.

INDUSTRY AND MARKET DATA

Market data and certain industry forecasts used throughout this Offering Circular have been obtained based on internal surveys, market research, publicly available information and industry publications. Industry publications generally state that the information that they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of that information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified, and neither the Issuer, the Company, the Joint Lead Managers nor their respective directors and advisers make any representation as to the correctness, accuracy or completeness of that information. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified.

PRESENTATION OF FINANCIAL INFORMATION

This Offering Circular contains consolidated financial information of the Company as at and for the years ended 31 December 2017, 2018 and 2019, which has been extracted from the audited consolidated financial statements of the Company as at and for the three years ended 31 December 2019, included elsewhere in this Offering Circular. The audited consolidated financial statements of the Company as at and for the three years ended 31 December 2019 were prepared and presented in accordance with the requirements of law and with the Accounting Standards for Business Enterprises in the PRC (the "**PRC GAAP**") and have been audited by Da Hua Certified Public Accountants (Special General Partnership) ("**Da Hua**"), the independent accountants of the Company in accordance with Auditing Standards for Chinese Certified Public Accountants.

PRC GAAP differs in certain respects from International Financial Reporting Standards ("**IFRS**"). See "*Description of Certain Differences Between PRC GAAP and IFRS*". Investors should seek advice from their financial and tax advisors if they have doubts about the differences.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

In this Offering Circular, unless otherwise specified or the context otherwise requires, all references to the "**PRC**" and "**China**" are to the People's Republic of China (excluding Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan); references to the "**United States**" and "**U.S.**" are to the United States of America; references to "**Hong Kong**" are to the Hong Kong Special Administrative Region of the People's Republic of China; references to "**Renminbi**" and "**RMB**" are to the lawful currency of the PRC; and references to "**U.S.$**", "**USD**" and "**U.S. dollars**" are to the lawful currency of the United States of America. Historical amounts translated into Renminbi have been translated at historical rates of exchange. Such translations should not be construed as representations that the amounts referred to herein could have been or could be converted into Renminbi at those rates or any other rate at all.

This Offering Circular contains translation of certain Renminbi amounts into U.S. dollars at a specified rate solely for the convenience of the reader. Unless otherwise specified, where financial information in relation to the Issuer has been translated into U.S. dollars, it has been so translated, for convenience only, at the rate of RMB6.9618 to U.S.$1.00 (the noon buying rate in New York City on 31 December 2019 as set forth in the weekly H.10 statistical release of the Federal Reserve Board of the Federal Reserve Bank of New York). Further information regarding exchange rate is set forth in "Exchange Rates" in this Offering Circular. No representation is made that the Renminbi amounts referred to in this Offering Circular could have been or could be converted into U.S. dollars at any particular rate or at all.

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding. References to information in billions of units are to the equivalent of a thousand million units.

The English names of the PRC nationals, entities, departments, facilities, laws, regulations, certificates, titles and the like are translations of their Chinese names and are included for identification purposes only. In the event of any inconsistency, the Chinese names prevail.

In this Offering Circular, unless otherwise indicated or the context otherwise requires, the following terms shall have the meaning set out below:

"AI"	artificial intelligence
"AMOLED"	active-matrix organic light-emitting diode (主動矩陣有機發光二極體)
"AV"	audio visual

"COF"	chip on film (薄膜封裝)
"CSOT"	TCL China Star Optoelectronics Technology Co., Ltd. (TCL華星光電技術有限公司), previously known as Shenzhen China Star Optoelectronics Technology Co., Ltd. (深圳華星光電技術有限公司)
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"EIT Law"	Enterprise Income Tax Law
"FHD"	full high definition (全高清)
"HVA"	high-quality vertical alignment (高品質垂直配向技術)
"IC"	integrated circuit
"IoT"	Internet of Things (物聯網)
"IP"	intellectual property
"IPO"	initial public offering
"LCD"	liquid crystal display (液晶顯示)
"LED"	light emitting diode (發光二極體)
"LTPS"	low temperature poly silicon (低溫多晶硅)
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"NCA"	the National Copyright Administration of the PRC (中華人民共和國國家版權局)
"NEEQ"	the National Equities Exchange and Quotations System
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) or its local counterparts
"ODM"	original design manufacturing (原始設計製造)
"OEM"	original equipment manufacturing (貼牌生產)

"OLED"	organic light emitting diode (有機發光二極體)
"Party Committee"	the Committee of the Communist Party of China
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PID"	public information displays
"PRC government"	the central government of the PRC and its political subdivisions, including provincial, municipal and other regional or local government entities, and instrumentalities thereof, or where the context requires, any of them
"QLED"	quantum dot light emitting diodes (量子點發光二極體)
"R&D"	research and development
"RGB"	red, green, and blue colour
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局) or its competent local counterpart
"State Council"	the State Council of the PRC
"TFT-LCD"	thin film transistor liquid crystal display (薄膜電晶體液晶顯示)
"TV"	television
"UHD"	ultra-high-definition (超高清)
"VAT"	Value-add Tax

FORWARD-LOOKING STATEMENTS

The Issuer and the Company have made certain forward-looking statements in this Offering Circular. All statements other than statements of historical facts contained in this Offering Circular constitute "forward-looking statements". Some of these statements can be identified by forward-looking terms, such as "may", "will", "should", "could", "would", "expect", "intend", "plan", "anticipate", "going forward", "ought to", "seek", "project", "forecast", "believe", "estimate", "predict", "potential" or "continue" or the negative of these terms or other comparable terminology. However, these words are not the exclusive means of identifying forward-looking statements. These forward-looking statements speak only as of the date of this Offering Circular. Each of the Issuer and the Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in their expectations with regard thereto or any change of events, conditions or circumstances, on which any such statement was based.

This Offering Circular contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, but not limited to, statements relating to:

- fluctuations in prices of and demand for semi-conductor display and materials;
- the supply and cost of raw materials;
- the continued availability of capital and financing;
- interest rates and foreign exchange rates, taxes and duties;
- ability of the Group to control its costs;
- changes in regulations relating to approval required for semi-conductor display and materials production, expansion of the Group's semi-conductor display and materials production facilities and its acquisition or investment plans;
- general economic and business conditions and competitive environment in the PRC and elsewhere;
- various business opportunities that the Group may pursue;
- interruptions in product production and delivery, epidemics, natural disasters, industry-wide actions, terrorist attacks and other events beyond the Group's control; and
- other factors, including those discussed in "*Risk Factors*".

Additional factors that could cause actual results, performance or achievements of the Issuer, the Company and the Group to differ materially from those anticipated in these forward-looking statements include, but are not limited to, those discussed under "*Risk Factors*" and elsewhere in this Offering Circular. Such statements reflect the current views of the Issuer or the Company with respect to future events, operations, results, liquidity and capital resources, some of which may not materialise or may change. Although the Issuer and the Company believe that the expectations reflected in these forward-looking statements are reasonable, there is no assurance that those expectations will prove to be correct, and prospective investors are cautioned not to place undue reliance on such statements. The Issuer and the Company undertake no obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Offering Circular might not occur and the Issuer's, the Company's and the Group's actual results could differ materially from those anticipated in these forward-looking statements.

All forward-looking statements contained in this Offering Circular are qualified by reference to the cautionary statements set forth in this section.

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SUMMARY

The summary below is only intended to provide a limited overview of information described in more detail elsewhere in this Offering Circular. As *it is a summary, it does not contain all of the information that may be important to investors and terms defined elsewhere in this Offering Circular shall have the same meanings when used in this summary. Prospective investors should therefore read this Offering Circular in its entirety.*

OVERVIEW

The Group is a business conglomerate with an industry leading position. Before April 2019, the Group's primary business consisted of the production and sale of semi-conductor displays and intelligent terminals and other business to provide synergies to its core business operations. In April 2019, in light of the industry and market outlook, the Group spun off its intelligent terminal business to implement its overall business strategy. The Group seeks to further develop its business both overseas and within the PRC, and has been restructuring its business with a view to becoming a leading semi-conductor display and materials manufacturer in the international market. The Group believes that such restructuring will allow the Group to concentrate on its core operations, optimise its organisational structure and improve operational efficiency.

The Group currently has three primary business segments:

- **Semi-conductor Display and Materials**: Through the reorganisation in early 2019, this business segment has become the Group's core business. The Group's semi-conductor display and materials business consists primarily of the development and manufacture of semi-conductor display panels and related equipment and materials, which are widely used in TVs, computers, mobile phones and other terminal devices.

- **Industrial Finance and Investment**: The Group has developed this business segment to provide synergies to its core business operations. The Group's industrial finance and investment business consists of internal finance services primarily within the Group and its affiliates, supply chain finance primarily covering industry chain finance and consumer finance, investment in start-ups by setting up venture capital funds and in listed companies by utilising diversified investment platforms. The Group also provides various advisory services in connection with securities and asset management.
- **Other Business**: The Group's other business consists primarily of electronics distribution and IT services business. The Group previously also provided online education and environmental services.

Leveraging on its strengths in the semi-conductor display and electronic products industries, the Group has established its brand recognition with a proven track record of delivering quality products. The Company ranked 64th, 71st and 79th among the "Fortune China 500" by *Fortune* magazine in 2017, 2018 and 2019, respectively. In 2018, the Company ranked 37th among the

"BrandZ Top 50 Chinese Global Brand Builders" (中國出海品牌50強) by Kantar & WPP & GOOGLE, 79th among "Forbes Top 100 Companies in terms of Global Digital Economy" by Forbes and first among "Top 100 Brand Value in Chinese Brands Evaluation" by R&F Global Ranking Information Group (睿富全球排行榜諮詢集團) and Beijing Famous Brand Asset Evaluation Co., Ltd. (北京名牌資產評估有限公司). In 2019, the Group was awarded the "Best A-stock Company in Investment Value Award" (A股上市公司最具投資價值獎) by Gelonghui (格隆匯).

The Group believes that its expertise in design and engineering, combined with its focus on developing close relationships with upstream materials manufacturing service providers and downstream customers, has contributed to its success. As a leading technology innovator in the semi-conductor display industry, the Group focuses on delivering differentiated value to its customers by developing various technologies and products, covering a comprehensive value chain with the capability to design, develop and manufacture large-sized, small- and medium-sized display panels for a wide range of terminal devices. The Group had filed an aggregate of 11,261 patent applications under the PCT all over the world, including Europe, the United States and South Korea, by the end of 2019.

The Company has been listed on the Shenzhen Stock Exchange (深圳證券交易所) since 2004. Under its unified management, as at 31 December 2019, the Company's diversified business platform consisted of over a hundred subsidiaries, including two listed companies, namely, China Display Optoelectronics Technology Holdings Limited (華顯光電技術控股有限公司) ("**CDOT**") (0334. HK) and Highly Information Industry Co., Ltd. (翰林匯信息產業股份有限公司) ("**Highly Information**") (835281. NEEQ).

For the years ended 31 December 2017, 2018 and 2019, the Group's total revenue was RMB111,727.4 million, RMB113,447.4 million and RMB75,077.8 million, respectively, and the Group's profit before tax was RMB4,789.7 million, RMB4,944.4 million and RMB4,055.8 million, respectively. As at 31 December 2017, 2018 and 2019, the Group's total assets were RMB160.3 billion, RMB192.8 billion and RMB164.8 billion, respectively.

RECENT DEVELOPMENTS

Proposed Disposal of TCL Educational Web

On 25 March 2020, the Group entered into a share transfer agreement (the "**Share Transfer Agreement**") with Minsheng Education Technology Company Limited (民生教育科技有限公司), a wholly-owned subsidiary of Minsheng Education Group Company Limited (民生教育集團有限公司) (1569. HK). Pursuant to the Share Transfer Agreement, the Group agreed to sell its 100 per cent. equity interest in TCL Educational Web Ltd. (TCL教育網有限公司) ("**TCL Educational Web**") to Minsheng Education Technology Company Limited at a total price of RMB420.0 million in U.S. dollar equivalent. As at 25 March 2020, TCL Educational Web directly held 100 per cent. equity interest in Shenzhen TCL Education Technology Company Limited (深圳TCL教育科技有限

責任公司) and 50 per cent. equity interest in Open University Online Long Distance Learning Education Technology Company Limited (電大在線遠程教育技術有限公司), and indirectly held 50 per cent. equity interest in Beijing Open Edutainment Long-distance Education Center Co., Ltd. (北京奧鵬遠程教育中心有限公司) ("**Open Edutainment**") and 80 per cent. equity interest in Silk Road (Beijing) International Educational Technology Center Company Limited (絲綢之路(北京)國際教育科技中心有限公司). According to the Share Transfer Agreement, the total price for the share transfer will be paid in three instalments. As at the date of this Offering Circular, the Group has received the first instalment of the total price in U.S. dollars equivalent to RMB214.2 million.

Updates on the Group's Financial Results

For the three months ended 31 March 2020, the Group's operating revenue decreased by more than half compared to the same period of 2019, its costs of sales, taxes and surcharges, selling expense and administrative expense also decreased significantly and its asset impairment loss increased significantly compared to the same period of 2019, primarily due to the Group's spin-off of its intelligent terminal business in April 2019. Additionally, for the three months ended 31 March 2020, the Group experienced a significant increase in the losses from changes in fair value as compared to the same period in the preceding year, primarily due to a significant increase in the losses from changes in fair value of financial instruments. Furthermore, for the first three months of 2020, the Group's profit before income tax and net profit decreased by more than half compared to the same period in 2019, primarily reflecting the impact of the COVID-19 pandemic and the downturn cycle and adverse market conditions in the LCDs panel industry. As a result of the Group's spin-off of its intelligent terminal business in April 2019, the Group's financial results for the first quarter of 2020 do not include the disposed intelligent terminal business, whereas the financial results of the Group for the first quarter of 2019 include such intelligent terminal business. Therefore, the Group's financial results for the first quarter of 2020 may not be comparable to the Group's financial results for the first quarter of 2019. See "*Risk Factors — Risks Relating to the Group and Its Business — The Group's business may be affected by natural disasters, epidemics and other acts of God.*" and "*Risk Factors — Risks Relating to the Group and Its Business — Declining market prices as a result of cyclical market conditions, excess capacity in the semi-conductor display and materials industry or other factors may continue to adversely affect the Group's business, financial condition and results of operations.*"

As at 31 March 2020, as compared to that as at 31 December 2019, the Group's held-for-trading financial assets increased significantly, primarily due to an increase in the Group's purchase of financial products; the Group's notes receivables decreased significantly, primarily as a result of the Group's collection of certain payments; the Group's prepayments increased significantly, primarily due to an increase in prepayments to suppliers; the Group's R&D expense decreased significantly, primarily due to transfer-out as a result of capitalisation as intangible assets; the Group's other non-current assets increased significantly, primarily due to an increase in advance payment for equipment; the Group's held-for-trading financial liabilities increased significantly, primarily due to a significant increase in financial liabilities associated with the Group's investments; the Group's customer deposits and interbank deposits decreased significantly, primarily due to an decrease in customer deposits of TCL Finance Co., Ltd.; the Group's advances from customers decreased significantly and its contractual liabilities increased significantly, primarily reflecting the impact of the newly adopted Accounting Standards for Business Enterprises No. 14 — Income since 1 January 2020; the Group's long-term borrowings increased, primarily attributable to the borrowing to finance CSOT's project investments; the Group's bonds payable also increased, primarily as a result of its issuance of medium-term notes in China's interbank bond market.

Such financial information has not been subject to an audit or review by our independent auditors and should not be relied upon by investors to provide the same quality of information associated with audited or reviewed financial information. Potential investors must exercise caution when using such financial information to evaluate the Group's financial condition and results of operations. The financial information as at and for the three months ended 31 March 2020 does not form a part of this Offering Circular and should not be taken as an indication of the Group's expected financial condition or results of operations as at and for the full financial year ending 31 December 2020. See "*Risk Factors — Risks Relating to the Group and Its Business — Investors should not place any reliance on financial information which is unreviewed or unaudited and shall not place undue reliance on the discussion of material financial trends in relation to the Group's unaudited and unreviewed financial information*".

Proposed Acquisition of 39.95 per cent. Equity Interest in Wuhan CSOT

On 28 April 2020 and 28 May 2020, the Company entered into a restructuring agreement and a supplemental restructuring agreement (collectively, the "**Restructuring Agreements**"), respectively, with Wuhan Optics Valley Industrial Investment Co., Ltd. (武漢光穀產業投資有限公司) ("**Wuhan Optics Valley**"), a wholly-owned subsidiary of Hubei Science Technology Investment Group Co., Ltd. (湖北省科技投資集團有限公司). Pursuant to the Restructuring Agreements, the Company proposed to acquire 39.95 per cent. equity interest in Wuhan China Star Optoelectronics Technology Co., Ltd. (武漢華星光電技術有限公司) ("**Wuhan CSOT**"), a subsidiary of the Group, from Wuhan Optics Valley. Before the proposed acquisition, CSOT, a direct subsidiary of the Company, holds 45.55 per cent. equity interest in Wuhan CSOT. Upon the completion of the proposed acquisition, in addition to 45.55 per cent. equity interest held by CSOT, the Company would directly hold 39.95 per cent. equity interest in Wuhan CSOT. Wuhan CSOT primarily engages in semi-conductor display and materials manufacturing. For the years ended 31 December 2018 and 2019, total operating revenue of Wuhan CSOT amounted to RMB4,826.7 million and RMB12,977.1 million, respectively. As at 31 December 2018 and 2019, total assets of Wuhan CSOT amounted to RMB21.7 billion and RMB23.4 billion, respectively.

The total consideration for the acquisition is RMB4,217.0 million, consisting of RMB2.0 billion equivalent ordinary A shares of the Company and RMB600.0 million equivalent convertible bonds of the Company to be issued to Wuhan Optics Valley, and RMB1,617.0 million cash consideration to be paid to Wuhan Optics Valley. The proposed acquisition has been approved by the board of directors of the Company and the shareholders' meeting of the Company and is subject to the

CSRC approval. Upon the completion of the proposed acquisition (without giving effect to the conversion of the convertible bonds to be issued to Wuhan Optics Valley), Wuhan Optics Valley would hold 3.56 per cent. equity interest in the Company. As at the date of this Offering Circular, the Group has paid a deposit of RMB800.0 million. In accordance with the terms and conditions of the Restructuring Agreements, the remainder of the cash consideration will be paid within 30 days after the receipt of the CSRC approval.

At the same time, the Company proposed to issue ordinary A shares and convertible bonds through private placement to raise matching funds. On 28 April 2020 and 28 May 2020, the Company entered into a subscription agreement and a supplemental subscription agreement, respectively, with Guangdong Pearl River Delta Optimise Development Fund (Limited Liability Partnership) (廣東珠三角優化發展基金(有限合夥)) ("**Pearl River Delta Optimise Development Fund**"), Guangdong Hengkuo Investment Management Co., Ltd. (廣東恒闊投資管理有限公司) ("**Hengkuo Investment**"), and Guangdong Henghui Equity Investment Fund (Limited Liability Partnership) (廣東恒會股權投資基金(有限合夥)) ("**Henghui Investment**"). Pearl River Delta Optimise Development Fund, Hengkuo Investment and Henghui Investment are all controlled by Guangdong Hengjian Investment Holding Co., Ltd. (廣東恒健投資控股有限公司), a strategic investor of the Company. Pursuant to these agreements, the Company proposed to raise matching funds of no more than RMB2.6 billion, consisting of no more than RMB1.2 billion to be raised through issuing ordinary A shares to Hengkuo Investment and Pearl River Delta Optimise Development Fund and no more than RMB1.4 billion through issuing convertible bonds to Henghui Investment. The proposed issuance has been approved by the board of directors of the Company and the shareholders' meeting of the Company and is subject to the CSRC approval. The proceeds of the matching funds are expected be used to pay the cash consideration for the proposed acquisition, repay the Company's debts and replenish the Company's working capital. Upon the completion of the proposed issuance (without giving effect to the conversion of the convertible bonds to be issued to Henghui Investment), Hengkuo Investment, Henghui Investment and Pearl River Delta Optimise Development Fund would collectively hold 2.41 per cent. equity interest in the Company.

The proposed acquisition is not expected to have any material adverse effect on the Company's total assets, total liabilities, revenue, operating profit or net profit. The Company seeks to improve its profitability through the proposed acquisition.

Proposed Acquisition of 100.00 per cent. Equity Interest in Zhonghuan Group

The Company recently announced its participation in a bid to acquire 100.00 per cent. equity interest in Tianjin Zhonghuan Electronics Information Group Co., Ltd. (天津中環電子信息集團有限公司) ("**Zhonghuan Group**"). Zhonghuan Group was put on sale on the Tianjin Property Rights Transaction Centre (天津產權交易中心) on 20 May 2020, soliciting a transferee for 100.00 per cent. of its equity interest at a reserve price of approximately RMB11.0 billion. The Company has submitted the required application materials to Tianjin Property Rights Transaction Centre and received a Notification of the Transferee Qualification Confirmation (受讓資格確認通知書) on 17 June 2020. According to the announcement published by the Company on the Shenzhen Stock

Exchange on 23 June 2020, the Company proposed to acquire a total of 100.00 per cent. equity interest in Zhonghuan Group, consisting of 51.00 per cent. from Tianjin Jinzhi State-owned Capital Investment Operation Co., Ltd. (天津津智國有資本投資運營有限公司) ("**Jinzhi Capital**") and 49.00 per cent. from Tianjin Bohai State-owned Assets Management Co., Ltd. (天津渤海國有資產經營管理有限公司) ("**Bohai State-owned Assets**"). Jinzhi Capital and Bohai State-owned Assets are controlled by the State-owned Assets Supervision and Administration Commission of Tianjin People's Government (天津市人民政府國有資產監督管理委員會) ("**Tianjin SASAC**"). If the Company wins the bid, the Company would acquire and directly hold 100.00 per cent. equity interest in Zhonghuan Group.

Zhonghuan Group primarily engages in R&D, manufacturing and sales of new energy and materials, intelligent equipments and electronic components. Its subsidiaries, Tianjin Zhonghuan Semiconductor Co., Ltd. (天津中環半導體股份有限公司) and Tianjin Printronics Circuit Corporation (天津普林電路股份有限公司), are listed on the Shenzhen Stock Exchange with the stock code 002129. SZ and 002134. SZ, respectively. Zhonghuan Group's audited pro forma data state that, for the year ended 31 December 2018 and the eight months ended 31 August 2019, its total operating revenue amounted to RMB14.4 billion and RMB11.1 billion, respectively, and as at 31 December 2018 and 31 August 2019, its total assets amounted to RMB44.4 billion and RMB46.4 billion, respectively. The Company believes that the proposed acquisition is in line with its business strategy of promoting further integration of the semi-conductor display industry and will contribute to the expansion of the Group's assets and revenue scale, the improvement in its profitability and its efforts to become a global leading company.

The proposed acquisition has been approved by the board of directors of the Company and submitted to the shareholders' meeting of the Company for deliberation, and is subject to Tianjin SASAC's approval and the merger control review by the competent authorities. Moreover, the final bidding results are uncertain as there are two or more qualified bidders participating in the auction. The Tianjin Property Right Transaction Centre is expected to evaluate each bidder in accordance with its weighting system and determine the final transferee accordingly.

COMPETITIVE STRENGTHS

The Group believes that the following strengths are important to its success and future development:

- Clear business strategy effectively integrating production and investment;

- Leading position in the semi-conductor display panel market supported by comprehensive production lines;

- Focused on the business operation of semi-conductor display and materials to maintain global industry-leading operational efficiency and profitability;

- A proven track record of strong financial performance and access to diverse financing sources;

- A global leading innovator with first-class talents and cutting-edge technologies; and

- Experienced and professional management team with strategic insights.

BUSINESS STRATEGIES

The Group intends to focus on the following business strategies:

- Continue to focus on semi-conductor display and materials business;

- Leverage on industrial finance and investment capacities to achieve sustained and stable growth;

- Continue to increase operational efficiency;

- Continue to seek business opportunities in capital- and technology-intensive industries; and

- Strengthen team-building and promote corporate culture.

THE OFFERING

The following summary contains some basic information about the Notes. Some of the terms described below are subject to important limitations and exceptions. Words and expressions defined in "Terms and Conditions of the Notes" shall have the same meanings in this summary. For a more complete description of the terms and conditions of the Notes, see "Terms and Conditions of the Notes".

Issuer	TCL Technology Investments Limited
Keepwell Provider	TCL Technology Group Corporation (TCL科技集團股份有限公司)
The Notes	U.S.$300,000,000 aggregate principal amount of 1.875 per cent. credit enhanced Notes due 2025.
Issue Price	99.981 per cent.
Form and Denomination	The Notes will be issued in registered form in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.
Issue Date	14 July 2020.
Interest	The Notes will bear interest from and including 14 July 2020 at the rate of 1.875 per cent. per annum, payable semi-annually in equal instalments in arrear on 14 January and 14 July in each year.
Maturity Date	14 July 2025.

Standby Letter of Credit	The Notes will have the benefit of the Standby Letter of Credit issued by the SBLC Bank in favour of the Trustee, on behalf of itself and the holders of the Notes. The Standby Letter of Credit shall be drawable by the Trustee upon the presentation of a demand by authenticated SWIFT sent by the Trustee or on behalf of the Trustee to the SBLC Bank in accordance with the Standby Letter of Credit (a "**Demand**") stating that (i) the Issuer has failed to comply with Condition 3.3 in relation to pre-funding an amount that is required to be pre-funded under the Terms and Conditions of the Notes (the "**Conditions**") and/or has failed to provide the Required Confirmations in accordance with Condition 3.3 or (ii) an Event of Default (as defined in Condition 9) has occurred and the Trustee has given notice to the Issuer that the Notes are immediately due and payable in accordance with Condition 9 or (iii) the Issuer has failed to pay the fees and expenses it is obliged to pay under the Conditions or the Trust Deed when due and such failure has continued for a period of seven days from the date of the Trustee delivering its demand therefor to the Issuer in accordance with the Conditions. Each drawing on the Standby Letter of Credit will be payable in U.S. dollars to or to the order of the Trustee at the time and to the account specified in the Demand presented to the SBLC Bank. Payment received by the Trustee in respect of a Demand will be deposited into the LC Proceeds Account. Every payment made under the Standby Letter of Credit in respect of any amount payable under the Conditions or in connection with the Notes and/or the Trust Deed shall satisfy the obligations of the Issuer in respect of such amount payable under the Conditions or in connection with the Notes and/or the Trust Deed.

	The SBLC Bank's liability under the Standby Letter of Credit shall be expressed and payable in U.S. dollars and shall not exceed U.S.$329,125,000 being an amount representing the aggregate principal amount of the Notes being U.S.$300,000,000, plus interest and premium (if any) payable in accordance with Condition 5, plus an additional amount intended to cover fees, expenses and any other amounts payable by the Issuer in connection with the Notes or the Trust Deed. The Standby Letter of Credit expires at 5:00 p.m. (Beijing time) on 14 August 2025. See "*Terms and Conditions of the Notes — Status, SBLC and Pre-funding — SBLC*", "*Terms and Conditions of the Notes — Status, SBLC and Pre-funding — Pre-funding*" and "*Appendix A — Form of Irrevocable Standby Letter of Credit*".
Pre-funding	In order to provide for the payment of any amount in respect of the Notes (the "**Relevant Amount**") as the same shall become due, the Issuer shall, in accordance with the Agency Agreement, by no later than the Business Day (the "**Pre-funding Date**") falling ten Business Days prior to the due date for such payment under the Conditions: (i) unconditionally pay or procure to be paid the Relevant Amount into the Pre-funding Account; and (ii) deliver to the Trustee and the Principal Paying Agent by facsimile (x) a Payment and Solvency Certificate signed by any Authorised Signatory of the Issuer, and (y) a copy of the irrevocable payment instruction from the Issuer to the Pre-funding Account Bank requesting the Pre-funding Account Bank to pay the Relevant Amount which was paid into the Pre-funding Account on the Pre-funding Date in full to the Principal Paying Agent by no later than 10:00 a.m. (Hong Kong time) on the Business Day immediately preceding the due date for such payment (together, the "**Required Confirmations**").

The Pre-funding Account Bank shall notify the Trustee forthwith upon any failure by the Issuer to pay the Relevant Amount into the Pre-funding Account in accordance with the Condition. If the Relevant Amount has not been paid into the Pre-funding Account in full, or the Trustee does not receive the Required Confirmations, in each case by 10:00 a.m. (Hong Kong time) on the Business Day immediately following the Pre-funding Date (the "**Pre-funding Failure**"), the Trustee shall (A) as soon as reasonably practicable, notify the SBLC Bank and the LC Proceeds Account Bank by authenticated SWIFT (or such other means of communication as the Trustee may in its discretion agree with the SBLC Bank and the LC Proceeds Account Bank) of the occurrence of the Pre-funding Failure; and (B) by no later than 5:00 p.m. (Beijing time) on the second Business Day following the Pre-funding Date, issue a Demand to the SBLC Bank for the Relevant Amount (or if the Issuer has unconditionally paid or procured to be paid into the Pre-funding Account, an amount less than the full amount of the Relevant Amount and the Trustee has received Required Confirmations in respect of such lesser amount, an amount representing the difference between the full amount of the Relevant Amount and the amount received in the Pre-funding Account) in accordance with the SBLC, provided that in accordance with the terms of the SBLC, the Trustee need not physically present an original of the Demand to the SBLC Bank and shall be entitled to draw on the SBLC by way of a Demand by authenticated SWIFT presented by or on its behalf through Bank of China (Hong Kong) Limited.

After receipt by the SBLC Bank of such Demand, the SBLC Bank shall by 11:00 a.m. (Beijing time) on the fourth Business Day immediately following receipt of such Demand (if a Demand is received before 5:00 p.m. (Beijing time) on the second Business Day following the Pre-funding Date), or by 11:00 a.m. (Beijing time) on the fifth Business Day (if a Demand is received after 5:00 p.m. (Beijing time) on the second Business Day following the Pre-funding Date), pay to or to the order of the Trustee the amount in U.S. dollars specified in the Demand to the LC Proceeds Account. "**Business Day**" means a day, other than a Saturday or a Sunday or a public holiday, on which banks and foreign exchange markets are open for business in Beijing, New York and Hong Kong.

	See "*Terms and Condition of the Notes — Status, SBLC and Pre-funding — Pre-funding*" and "*Appendix A — Form of Irrevocable Standby Letter of Credit*".
Status	The Notes constitute direct, unsubordinated, unconditional and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Notes shall, save for such exceptions as may be provided by applicable law, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.
Events of Default	Upon the occurrence of certain events as described in Condition 9 (*Events of Default*) of the Terms and Conditions of the Notes, the Trustee at its discretion may, and if so requested by holders of at least 25 per cent. in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution (as defined in the Trust Deed) shall (provided in either case, the Trustee shall have been indemnified and/or secured and/or pre-funded to its satisfaction), give notice to the Issuer that the Notes are, and they shall immediately become, due and payable at their principal amount together (if applicable) with accrued but unpaid interest.
Cross-Acceleration	The Notes will contain a cross-acceleration provision with respect to the SBLC Bank or any SBLC Subsidiary of the SBLC Bank as further described in Condition 9(b)(i) (*Events of Default — Cross-Acceleration*) of the Terms and Conditions of the Notes.
Cross-Default	The Notes will contain a cross-default provision with respect to the Issuer, the Company or any of their respective Subsidiaries as further described in Condition 9(a)(iii) (*Events of Default — Cross-Default*) of the Terms and Conditions of the Notes.

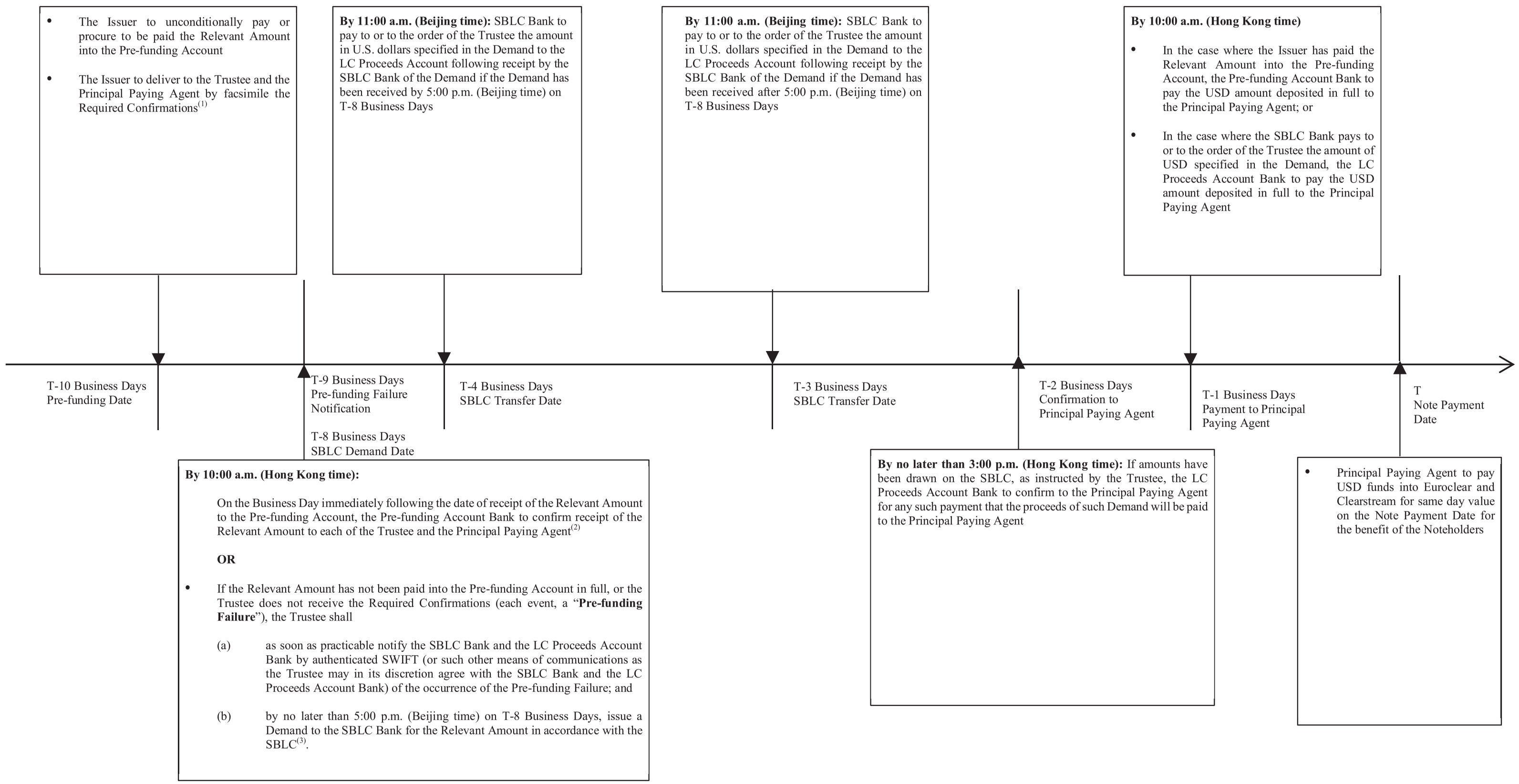
Taxation	All payments of principal, premium (if any) and interest by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within any of the British Virgin Islands, Hong Kong or the PRC or any political subdivision or authority therein or thereof having power to tax unless such withholding or deduction is required by law. Where such withholding or deduction is made by the Issuer by or within the PRC at the rate of up to and including the aggregate rate applicable on 7 July 2020 (the "**Applicable Rate**"), the Issuer will increase the amounts paid by it to the extent required, so that the net amount received by the Noteholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required. In the event that any such PRC deduction or withholding in excess of the Applicable Rate or any British Virgin Islands or Hong Kong deduction or withholding is required, the Issuer shall pay (except in certain circumstances set out in Condition 8 (*Taxation*) of the Terms and Conditions of the Notes) such additional amounts (Additional Tax Amounts) as will result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required.
Final Redemption	Unless previously redeemed or purchased and cancelled in the circumstances referred to in the Terms and Conditions of the Notes, the Notes will be redeemed at their principal amount on 14 July 2025.
Redemption for Change of Control	A Noteholder will have the right, at such Noteholder's option, to require the Issuer to redeem all, but not some only, of that Noteholder's Notes at their principal amount upon the occurrence of a Change of Control, together with accrued interest up to, but excluding, the relevant Put Settlement Date. See Condition 6.3 (*Redemption for Change of Control*) of the Terms and Conditions of the Notes.

Redemption for Taxation Reasons	The Notes may be redeemed at the option of the Issuer in whole, but not in part, at their principal amount, in the event that as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands, Hong Kong or the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 7 July 2020, the Issuer would be required to pay Additional Tax Amounts and such obligation cannot be avoided by the Issuer taking reasonable measures available to it. See Condition 6.2 (*Redemption and Purchase — Redemption for Taxation Reasons*) of the Terms and Conditions of the Notes.
Further Issues	The Issuer may from time to time, without the consent of the Noteholders, create and issue further Notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest and the timing for completing the NDRC Post-issue Filing) and so that such further issue shall be consolidated and form a single series with the outstanding Notes. Such further securities may only be issued if (i) a further or supplemental or replacement standby letter of credit is issued by the SBLC Bank (or an amendment is made to the SBLC) on terms that are substantially similar to the SBLC (including that the stated amount of such further or supplemental or replacement or amended standby letter of credit represents an increase at least equal to the principal of and interest payments due on such further notes); (ii) such supplemental documents are executed and further opinions are obtained as the Trustee may require, as further set out in the Trust Deed; (iii) each of the Rating Agencies has been informed of such issue; and (iv) such issue will not result in any change in the then credit rating of the Notes. See Condition 15 (*Further Issues*) of the Terms and Conditions of the Notes.
Trustee	Bank of China (Hong Kong) Trustees Limited
Principal Paying Agent, Transfer Agent and Registrar	Bank of China (Hong Kong) Limited
Pre-funding Account Bank and LC Proceeds Account Bank	Bank of China (Hong Kong) Limited

Clearing Systems	The Notes will be represented by beneficial interests in the Global Certificate in registered form, which will be registered in the name of a nominee for, and shall be deposited on or about the Issue Date with, a common depositary for, Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described herein, certificates for Notes will not be issued in exchange for interests in the Global Certificate.
Governing Law	The Trust Deed, Agency Agreement, the Keepwell Deed, the SBLC and the Notes and any non-contractual obligations arising out of or in connection with them are be governed by and shall be construed in accordance with English law.
Keepwell Deed	The Company, the Issuer and the Trustee will enter into the Keepwell Deed as further described in "*Description of the Keepwell Deed*".
Listing	Approval in-principle has been received from the SGX-ST for the listing and quotation of the Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Offering Circular. Approval in-principle from, admission to the Official List of, and listing and quotation of the Notes on, the SGX-ST are not to be taken as an indication of the merits of the offering of the Notes, the Issuer, the Company, the Group, their respective subsidiaries or the quality of disclosure in this Offering Circular. For so long as such Notes are listed on the SGX-ST and the rules of the SGX-ST so require, such Notes will be traded on the SGX-ST in a minimum board lot size of at least U.S.$200,000.
Rating	The Notes are expected to be rated "A1" by Moody's. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant rating organisation. Prospective investors should evaluate each rating independently of any other rating of the Notes or other securities of the Issuer.

Selling Restrictions	The Notes have not been and will not be registered under the Securities Act or under any state securities laws of the United States and, subject to certain exceptions, may not be offered or sold within the United States, the United Kingdom, the PRC, Hong Kong, Singapore, Japan and British Virgin Islands. The Notes may be sold in other jurisdictions only in compliance with applicable laws and regulations. See "*Subscription and Sale*".
ISIN	XS2182296892.
Common Code	218229689.
Legal Entity Identifier	2549004564BZEAL33Q65.

SUMMARY OF PAYMENT ARRANGEMENTS ON EACH SCHEDULED DUE DATE UNDER THE NOTES



Notes:

(1) The Required Confirmations consist of: (x) a Payment and Solvency Certificate signed by any Authorised Signatory of the Issuer; and (y) a copy of the irrevocable payment instruction from the Issuer to the Pre-funding Account Bank requesting the Pre-funding Account Bank to pay the Relevant Amount which was paid into the Pre-funding Account on the Pre-funding Date in full to the Principal Paying Agent by no later than 10:00 a.m. (Hong Kong time) on the Business Day immediately preceding the due date for such payment.

(2) The confirmation from the Pre-funding Account Bank to each of the Trustee and the Principal Paying Agent shall be by way of authenticated SWIFT or such other means of communication as the Principal Paying Agent may in its direction agree with the Pre-funding Account Bank.

(3) The Trustee need not physically present an original of the Demand to the SBLC Bank and shall be entitled to draw on the SBLC by way of a Demand by authenticated SWIFT presented by or on its behalf through Bank of China (Hong Kong) Limited.

SUMMARY FINANCIAL INFORMATION

The summary consolidated financial information of the Company as at and for the years ended 31 December 2017, 2018 and 2019 set forth below is derived from the audited consolidated financial statements of the Company as at and for the three years ended 31 December 2019 (which have been audited by Da Hua, Certified Public Accountants of the Chinese Institute of Certified Public Accountants). None of the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors or advisers has independently verified any of the information contained therein and can give assurance that such information is accurate, truthful or complete. The information set out below should be read in conjunction with, and is qualified in its entirety by reference to, the relevant consolidated financial statements of the Company, which are included in the F-pages of this Offering Circular. Historical results are not necessarily indicative of results that may be achieved in any future period. See "Risk Factors — Risks relating to the Group and its Business — The Group's historical financial information may not be indicative of its current or future results of operations and the Group's results of operations may be materially affected by the spin-off." for more details. The Company's consolidated financial statements were prepared in accordance with PRC GAAP. PRC GAAP differs in certain material respects from IFRS. For a discussion of certain differences between PRC GAAP and IFRS, see "Description of Certain Differences between PRC GAAP and IFRS". For a summary of discussion of material financial information as at and for the three months ended 31 March 2020 and certain material trends in the Group's financial results, please refer to "Description of the Group — Recent Developments — Updates on the Group's Financial Results".

Summary Consolidated Balance Sheet Data

	As at 31 December			
	2017	2018	2019	
	(RMB) (audited)	*(RMB)* (audited)	*(RMB)* (audited)	*(U.S.$)* (unaudited)
	(in thousands)			
Current assets				
Monetary assets	27,459,453	26,801,343	18,648,185	2,678,644
Held-for-trading financial assets	—	—	6,074,751	872,583
Financial assets at fair value through profit or loss	2,231,276	1,137,580	—	—
Derivative financial assets	—	—	159,036	22,844
Notes receivable	6,170,349	4,272,222	228,942	32,885
Accounts receivable	14,747,223	13,604,358	8,340,354	1,198,017
Factored accounts receivable	46,449	47,087	—	—
Prepayments	910,215	1,194,972	364,423	52,346
Other receivables	3,918,316	5,719,379	2,750,042	395,019
Inventories	12,946,303	19,887,972	5,677,963	815,588
Assets classified as held for sale	—	18,791	—	—
Other current assets	11,666,323	7,624,097	5,911,827	849,181
Total current assets	**80,095,907**	**80,307,801**	**48,155,523**	**6,917,108**

	As at 31 December			
	2017	2018	2019	
	(RMB)	*(RMB)*	*(RMB)*	*(U.S.$)*
	(audited)	(audited)	(audited)	(unaudited)
	(in thousands)			
Non-current assets				
Loans and advances to customers	555,133	1,123,800	3,637,768	522,533
Investments in debt obligations	—	—	20,373	2,926
Available-for-sale financial assets	3,202,055	4,270,845	—	—
Long-term equity investments	15,352,014	16,957,109	17,194,284	2,469,804
Investments in other debt obligations	—	—	279,884	40,203
Other non-current financial assets	—	—	2,542,689	365,234
Investment property	859,890	1,676,211	82,273	11,818
Fixed assets	32,597,979	35,983,131	45,459,070	6,529,787
Construction in progress	14,775,237	38,924,586	33,578,290	4,823,220
Intangible assets	6,372,511	5,954,873	5,684,584	816,539
R&D expense	872,804	1,011,504	1,548,471	222,424
Goodwill	420,534	357,112	2,452	352
Long-term prepaid expense	929,124	1,861,333	1,567,691	225,185
Deferred income tax assets	871,843	797,882	840,874	120,784
Other non-current assets	3,388,953	3,537,756	4,250,659	610,569
Total non-current Assets	**80,198,077**	**112,456,142**	**116,689,362**	**16,761,378**
Total Assets	**160,293,984**	**192,763,943**	**164,844,885**	**23,678,486**
Current liabilities				
Short-term borrowings	15,990,105	13,240,637	12,069,657	1,733,698
Factorage financings	46,449	47,087	—	—
Borrowings from central bank	39,997	231,404	573,222	82,338
Customer deposits and interbank deposits	310,875	545,053	1,355,129	194,652
Held-for-trading financial liabilities	—	—	188,220	27,036
Financial liabilities at fair value through profit or loss	442,942	212,097	—	—
Derivative financial liabilities	—	—	84,705	12,167
Notes payable	2,061,471	3,092,574	1,720,402	247,120
Accounts payable	19,324,249	23,922,712	11,549,133	1,658,929
Advances from customers	1,307,900	1,460,773	141,749	20,361
Payroll payable	2,292,668	2,891,393	1,094,217	157,174
Taxes payable	1,273,792	716,534	226,806	32,579
Other payables	17,154,753	23,120,774	12,293,566	1,765,860
Short-term commercial papers payable	—	2,000,000	—	—
Current portion of non-current liabilities	5,927,528	6,009,915	1,691,963	243,035
Other current liabilities	6,075,073	1,344,451	69,022	9,914
Total current liabilities	**72,247,802**	**78,835,404**	**43,057,791**	**6,184,865**

	As at 31 December			
	2017	2018	2019	
	(RMB) (audited)	*(RMB)* (audited)	*(RMB)* (audited)	*(U.S.$)* (unaudited)
	(in thousands)			
Non-current liabilities				
Long-term borrowings	20,283,381	36,864,923	38,512,059	5,531,911
Bonds payable	10,497,248	12,985,628	16,479,085	2,367,072
Long-term payables	76,309	73,902	24,206	3,477
Long-term payroll payable	25,519	24,246	23,018	3,306
Deferred income	2,664,877	2,637,229	1,912,421	274,702
Deferred income tax liabilities	271,157	440,352	952,678	136,844
Other non-current liabilities	84,755	30,586	483	69
Total non-current liabilities	**33,903,246**	**53,056,866**	**57,903,950**	**8,317,382**
Total liabilities	**106,151,048**	**131,892,270**	**100,961,741**	**14,502,247**
Shareholders' equity				
Share capital	13,514,972	13,549,649	13,528,439	1,943,239
Capital reserves	5,940,471	5,996,741	5,716,667	821,148
Treasury stock	—	(63,458)	(1,952,957)	(280,525)
Other comprehensive income	219,272	(1,174,162)	(534,082)	(76,716)
Surplus reserve	1,494,300	2,184,261	2,238,368	321,521
General reserve	361	361	361	52
Retained earnings	8,577,688	10,000,973	11,115,150	1,596,591
Total equity attributable to shareholders of the Company as the parent	29,747,064	30,494,365	30,111,946	4,325,310
Non-controlling interests	24,395,872	30,377,308	33,771,198	4,850,929
Total shareholders' equity	**54,142,936**	**60,871,673**	**63,883,144**	**9,176,239**
Total liabilities and shareholders' equity	**160,293,984**	**192,763,943**	**164,844,885**	**23,678,486**

Summary Consolidated Income Statement Data

	For the year ended 31 December			
	2017	2018	2019	
	(RMB) (audited)	*(RMB)* (audited)	*(RMB)* (audited)	*(U.S.$)* (unaudited)
	(in thousands)			
Operating revenue	111,577,362	113,360,076	74,933,086	10,763,464
Interest income	150,080	87,362	144,720	20,788
Revenue	111,727,442	113,447,438	75,077,806	10,784,252
Costs of sales	(88,663,843)	(92,605,589)	(66,337,117)	(9,528,731)
Interest expense	(79,421)	(72,248)	(17,230)	(2,475)
Taxes and surcharges	(665,342)	(661,262)	(330,588)	(47,486)
Selling expense	(9,511,064)	(8,887,021)	(2,857,489)	(410,453)
Administrative expense	(4,696,716)	(4,299,607)	(1,895,088)	(272,212)
R&D expense	(4,759,324)	(4,677,579)	(3,396,805)	(487,921)
Finance costs	(1,665,275)	(973,261)	(1,248,801)	(179,379)
Other income	1,379,941	2,218,718	1,900,636	273,009
Return on investment	2,438,692	2,167,254	3,442,554	494,492
Foreign exchange gain	(22,303)	(47,714)	(12,499)	(1,795)
Gains from changes in fair value	309,429	(3,879)	473,673	68,039
Credit impairment loss	—	—	(32,258)	(4,634)
Asset impairment loss	(1,663,499)	(1,523,119)	(791,112)	(113,636)
Asset disposal income	(15,793)	10,071	1,157	166
Operating profit	**4,112,924**	**4,092,202**	**3,976,839**	**571,237**
Non-operating income	840,251	956,809	128,609	18,474
Non-operating expense	(163,435)	(104,631)	(49,645)	(7,131)
Profit before tax	**4,789,740**	**4,944,380**	**4,055,803**	**582,580**
Income tax expense	(1,245,038)	(879,182)	(398,069)	(57,179)
Net profit	**3,544,702**	**4,065,198**	**3,657,734**	**525,401**
Net profit attributable to owners of the Company as the parent	2,664,395	3,468,211	2,617,765	376,018
Net profit attributable to non-controlling interests	880,307	596,987	1,039,969	149,382

Summary Consolidated Cash Flow Statement Data

	For the year ended 31 December			
	2017	2018	2019	
	(RMB) (audited)	*(RMB)* (audited)	*(RMB)* (audited)	*(U.S.$)* (unaudited)
	(in thousands)			
Net cash generated from operating activities	9,209,615	10,486,579	11,490,096	1,650,449
Net cash used in investing activities	(16,925,161)	(28,230,543)	(31,731,709)	(4,557,975)
Net cash generated from financing activities	8,552,129	20,039,822	11,950,806	1,716,626
Effect of foreign exchange rate changes on cash and cash equivalents	(1,371,070)	125,357	226,166	32,487
Net increase/(decrease) in cash and cash equivalents	**(534,487)**	**2,421,215**	**(8,064,641)**	**(1,158,413)**
Cash and cash equivalents, beginning of the period	23,815,656	23,281,169	25,702,384	3,691,916
Cash and cash equivalents, end of the period	**23,281,169**	**25,702,384**	**17,637,743**	**2,533,503**

Other Financial Data

The following table sets forth certain other financial data of the Group as at the dates and for the periods indicated.

	As at and for the year ended 31 December		
	2017	2018	2019
EBITDA(1) (RMB in millions)	13,395	14,097	14,224
EBITDA interest coverage ratio(2)	6.0x	5.5x	5.2x
Total liabilities/total assets (per cent.)	66.2	68.4	61.3
Total debt(3) (RMB in billions)	52.8	71.4	68.9

Notes:

(1) EBITDA for any period is calculated as net profit adjusted for adjusted income tax expenses, interest expenses under financial expenses, depreciation, amortisation of intangible assets and amortisation of long-term deferred expenses. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of the Group's operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBITDA, the Group believes that investors should consider, among other things, the components of EBITDA such as sales and operating expenses under the amount by which EBITDA exceeds capital expenditures and other charges. The Group has included EBITDA here because it believes that it is a useful supplement to the cash flow data as a measure of the Group's performance and its ability to generate cash flow from operations to cover debt service obligations and taxes. EBITDA presented

herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare the Group's EBITDA data to the EBITDA data presented by other companies because not all companies use the same definitions.

(2) EBITDA interest coverage ratio is calculated by dividing EBITDA by interest expenses (consisting of interest expense under financial expenses and accumulated amount of interest capitalisation).

(3) Total debt consists of all short-term borrowings, medium- and long-term borrowings, bonds payable and bill rediscounting. Investors should not compare the Group's total debt to total debt presented by other companies because not all companies use the same definitions.

RISK FACTORS

Prior to making an investment decision, prospective investors should carefully consider the following risk factors, along with the other matters set out in this Offering Circular. PRC laws and regulations may differ from the laws and regulations in other countries. Additional risks not described below or not currently known to the Issuer or the Company or that it currently deems immaterial may also adversely affect the value of the Notes. The Issuer and the Company believe that the risk factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for reasons which may not be considered as significant risks by the Issuer or the Company based on information currently available to it or which it may not currently be able to anticipate. All of these factors are contingencies which may or may not occur and neither the Issuer nor the Company is in a position to express a view on the likelihood of any such contingency occurring.

Neither the Issuer nor the Company represents that the statements below regarding the risk factors of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.

RISKS RELATING TO THE GROUP AND ITS BUSINESS

Declining market prices as a result of cyclical market conditions, excess capacity in the semi-conductor display and materials industry or other factors may continue to adversely affect the Group's business, financial condition and results of operations.

The Group's business is significantly affected by cyclical market conditions. In recent years, the semi-conductor display and materials industry, in particular, the TFT-LCDs panel industry has been subject to significant downturn cycles as a result of excess capacity. Such cyclical industry-wide excess capacity is caused by semi-conductor display and materials manufacturers making additional investment in manufacturing capacity for size-specific panels on similar schedules in light of increased market competition and expectations of growth in customer demand. Any significant excess capacity in the semi-conductor display and materials industry that are not accompanied by a sufficient increase in customer demand may cause sharp declines in average selling prices of the Group's products. The decrease in average selling prices may be further compounded by a seasonal weakening demand growth for end products such as TVs, computers, mobile phones and other terminal devices. If the average selling prices of the products manufactured by the Group are below the Group's cash costs, there will be a negative impact on the Group's cash flows, which may reduce the Group's business liquidity.

In addition, other factors such as technology advancement and customer cost reductions have driven down and may continue to drive down the Group's average selling prices irrespective of cyclical market conditions for the semi-conductor display and materials industry. The decline in market prices, due to cyclical excess capacity, slowdown in demand and other factors, has caused significant fluctuations in the semi-conductor display and materials manufacturers' gross margins. As a result, the Group's gross profit margin in the semi-conductor display and materials business decreased in recent years, being 27.9 per cent., 18.4 per cent. and 10.3 per cent. for the years ended 31 December 2017, 2018 and 2019, respectively.

The Group attempts to mitigate, at least in part, the effects of overcapacity in the industry by increasing the proportion of high margin, differentiated specialty products based on newer technologies in its product mix, including products that utilise LTPS-LCD and AMOLED technologies, which are relatively less affected by the industry-wide overcapacity problems affecting display panel products using older technologies, while also making efforts to continue to reduce costs. Even when the differentiated products that had a positive impact on the Group's performance mature in their technology cycle, if the Group is not able to develop and commercialise newer products to offset the price erosion of such maturing products in a timely manner, the Group's ability to mitigate the impact of cyclical market conditions on its gross margin would be further limited. The Group cannot provide any assurance that any future downturns resulting from any large increases in capacity or other factors affecting the semi-conductor display and materials industry would not have a material adverse effect on the Group's business, financial condition and results of operations.

The Group operates in a highly competitive environment and may not be able to maintain its current market position.

The Group currently primarily engages in the development and manufacture of semi-conductor display panels and related equipment and materials. The semi-conductor display and materials industry is highly competitive. The Group has experienced pressure from other display and materials manufacturers all around the world on the prices and margins of the Group's major products. The Group's main competitors in the industry include LG Display, Samsung Electronics, AU Optronics, CEC Panda and BOE Technologies. See "*Description of the Group — Competition*" for further details.

Some of the Group's competitors may currently, or at some point in the future, have greater financial, manufacturing, R&D, technology or sales and marketing resources than the Group does. In addition, the Group's competitors may be able to manufacture panels or semi-conductor related equipment or materials on a large scale or with greater cost efficiencies than the Group does. In addition, the Group anticipates increases in production capacity in the future by other manufacturers of display panels and semi-conductor related equipment or materials using similar technologies as the Group's. Any price erosion resulting from intense global competition or excess capacity may materially and adversely affect the Group's business, financial condition and results of operations.

In addition, consolidation within the industry in which the Group operates may result in increased competition as the entities emerging from such consolidation may have greater financial, manufacturing, R&D, technology or sales and marketing resources than the Group does, especially if such mergers of consolidations result in vertical integration and operational efficiencies. Increased competition resulting from such mergers of consolidations may lead to decreased margins, which may have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's ability to compete successfully also depends on factors both within and beyond the Group's control, including product pricing, performance and reliability, the Group's relationship with its customers, successful and timely investment and product development, newly established industry standards, supply costs for components and raw materials, and general economic and industry conditions. The Group cannot provide assurance that it will be able to maintain competitive strengths in all these aspects and, as a result, the Group may be unable to maintain its current market position.

The Group's results of operations depend on its ability to keep pace with changes in technology.

Advancement in technology typically leads to rapid declines in sales volumes for products made with older technologies and may lead to these products becoming less competitive in the market, or even obsolete. As a result, the Group makes significant expenditures to develop or acquire new process and product technologies, along with improving manufacturing capabilities.

The Group's ability to develop differentiated products with new display technologies and utilise advanced manufacturing processes to increase production yields or to lower production costs will be critical to its sustained competitiveness. However, the Group cannot provide assurance that it will be able to continue to successfully develop new products or manufacturing processes through its R&D efforts or through obtaining technology licences, or that the Group will keep pace with technology advancement in the market.

The emergence of new technology as an alternative to panels with LCD technology may erode sales of the Group's LCD panels, which may have a material adverse effect on the Group's financial condition and results of operations.

While the Group's sales volumes and operating revenue derive primarily from the sales of display panels with TFT-LCD and LTPS-LCD technologies, new display technologies, such as AMOLED technology, are at various stages of development and production by the Group and other display panel manufacturers. AMOLED technology, widely viewed in the display industry as a successor technology to LCD technology, is gaining increasing market acceptance for use in display panels for TVs, computers, mobile phones and other terminal devices, including public displays, entertainment systems, automotive displays, portable navigation devices and medical diagnostic equipment. Seeing the importance and potential of AMOLED technology, the Group has in recent years invested in R&D and production facilities to develop and commercialise AMOLED panels for products of all sizes.

As AMOLED display panels continue to gain market acceptance as an alternative to LCD panels, if the Group is unable to continue to develop and commercialise AMOLED technology in a commercially viable and timely manner, or if customers prefer panels developed and manufactured by the Group's competitors utilising competing technologies, the Group's financial condition and results of operations would be materially and adversely affected.

A global economic downturn may result in reduced demand for the Group's products and adversely affect its profitability.

In recent years, adverse conditions and volatility in the worldwide financial markets, fluctuations in oil and commodity prices and the general weakness of the global economy have contributed to the uncertainty of global economic prospects in general and have adversely affected, and may continue to adversely affect, the PRC economy. In particular, the recent outbreak of corona virus disease 2019 (COVID-19) has brought negative economic impact and increased the volatility in the global market. See "— *The Group's business may be affected by natural disasters, epidemics and other acts of God*" for further details. Global economic downturns in the past have adversely affected demand for consumer products manufactured by the Group's customers in the PRC and overseas, including TVs, computers, mobile phones and other terminal devices utilising semi-conductor display panels and materials, which in turn led them to reduce or plan reductions of their production and adversely affected the Group's profitability.

The overall prospects for the global economy remain uncertain. The Group cannot provide any assurance that demand for its products can sustain at current levels or that the demand for the Group's products will not decrease again in the future due to economic downturns. The Group may decide to adjust its production levels in the future based on market demand for its products, the production outlook of the global semi-conductor display and materials industry, and global economic conditions in general. Any decline in demand for semi-conductor display panels and materials may adversely affect the Group's business, financial condition and results of operations.

The Group's business operations are capital intensive and any failure to obtain sufficient capital resources on acceptable terms or in a timely manner may adversely affect the Group's business and prospects.

To implement its strategy to further enhance the diversity and capacity of the Group's semi-conductor display panel and materials production, the Group anticipates that it will continue to incur significant capital expenditures for the construction of new manufacturing facilities and the maintenance and upgrading of its existing manufacturing facilities, particularly in connection with its continued investments in AMOLED technology. The Group's significant recent and pending capital expenditures include the following:

- in anticipation of the growing demand for large-sized panels based on new technologies, the Group is in the construction of the G11 TFT-LCD and AMOLED new display production line (t6 project) and the G11 ultra-high-definition new display production line (t7 project). The estimated total investment amounts of the t6 project and the t7 project are approximately RMB46.5 billion and RMB42.7 billion, respectively. The Group commenced mass production of the t6 project in 2019 and is in the process of construction the t7 project with a target to commence mass production in March 2021;

- in anticipation of the growing demand for small- and medium-sized panels based on newer technologies, the Group is in the construction of the G6 LTPS-AMOLED flexible production line (t4 project). The estimated total investment amount of the t4 project is approximately RMB35.0 billion. The Group commenced mass production of the t4 project in 2019; and

- in response to implement the Group's target to broaden the production capacity of the large-sized display modules, the Group is in the construction of the CSOT's High Generation Module Project (高世代模組項目) and the estimated total investment amount is approximately RMB9.6 billion. The first phase of the CSOT's High Generation Module Project has been in production, and the construction of the second phase of the CSOT's High Generation Module Project is expected to complete in 2021.

For the years ended 31 December 2017, 2018 and 2019, the Group's capital expenditure was RMB15,657.0 million, RMB32,798.4 million and RMB20,116.2 million, respectively. The Group has historically satisfied its capital needs mainly through (i) cash flow generated from the Group's operating activities and (ii) government industry funds, syndicated loans and other borrowings. The Group believes that it will continue to require substantial capital resources to fund its business operations and expansion.

The Group's ability to generate sufficient operating cash flow is affected by a number of factors, such as the Group's ability to carry on its business operations in an efficient manner, performance of the Group's counterparties, changes in general market conditions and the regulatory environment and competition in certain sectors in which it operates. Any adverse change in any of these factors, which may be out of the Group's control, may create capital shortfalls. There is no assurance that the Group's operating activities will be able to generate sufficient cash flow to satisfy the Group's funding needs at all times.

Insufficient cash flow generated from the Group's business operations will increase the Group's reliance on external financing. The Group's ability to obtain external financing and the costs of such financing are dependent on numerous factors, including:

- general political, economic and capital market conditions;

- changes in monetary policies with respect to banks' interest rates and lending policies;

- interest rates charged by, and credit availability from, banks or other lenders;
- investors' confidence in the Group and the success of the Group's business;
- the Group's ability to obtain the PRC government approvals required to access domestic or international financing; and
- provisions of tax and securities laws that may be applicable to the Group's efforts to raise funds.

There is no assurance that additional financing, either on a short-term or a long-term basis, will be available, or that such financing will be obtained on terms favourable to the Group. If the Group fails to obtain financing on a timely basis and at a reasonable cost, it may not be able to undertake its business operations or implement them as planned. This may cause interruptions of the Group's business, slow down the implementation of its strategies, and, in turn, materially and adversely affect the Group's business, financial condition and results of operations.

Substantial indebtedness may restrict the Group's business operations and increase its exposure to various operational risks.

The Group relies on external financing to satisfy a portion of its funding requirements and it has a significant amount of outstanding indebtedness. As at 31 December 2019, the Group's total indebtedness (comprising short-term borrowings, borrowings from central bank, current portion of non-current liabilities, long-term borrowings, bonds payable and other non-current liabilities) was RMB69,326.5 million, amounting to 42.1 per cent. of the Group's total assets. Approximately RMB14,334.8 million of such indebtedness would become due within 12 months. As at 31 December 2017, 2018 and 2019, the Group's liabilities to assets ratio was 66.2 per cent., 68.4 per cent. and 61.3 per cent., respectively. Although the Group's liabilities to assets ratio decreased following the completion of the Group's spin-off of its intelligent terminal business, the Group cannot provide any assurance that its liabilities to assets ratio would not increase in the future as a result of the implementation of its business strategy and the expansion of its business operations. In addition, the Group had outstanding guarantees for affiliates in a total amount of RMB18,160.2 million as at 31 December 2019. If any of the guaranteed companies defaults on its borrowings guaranteed by the Group, the lender may exercise its right under the guarantee to demand payment from the Group. As a result, the Group's business, financial condition and results of operations may be materially and adversely affected.

Substantial indebtedness could impact the Group's business in a number of ways, including:

- requiring the Group to divert its operating cash flow to service its indebtedness;
- increasing the Group's finance costs, thus affecting its overall profit;

- decreasing the Group's financial flexibility in carrying on its business or responding to unexpected market changes;

- limiting, particularly in combination with the financial and other restrictive covenants of the Group's indebtedness, its ability to borrow additional funds; and

- increasing the Group's vulnerability to adverse general economic and industry conditions.

In addition, the Group's borrowings may be secured. Third-party security rights may limit the Group's use of the underlying collateral assets and adversely affect its operational efficiency. As at 31 December 2019, the Group's assets provided as security for its borrowings amounted to RMB4,079.9 million, representing 24.7 per cent. of its total assets. Assets provided by the Group as security mainly comprise fixed assets, intangible assets and available-for-sale financial assets. If the Group is unable to service and repay their debts under such loan facilities on a timely basis, the assets provided as security for the Group's borrowings may be subject to foreclosure, which may materially and adversely affect the Group's business, prospects and financial condition.

As the Group's business continues to grow, its funding requirement and reliance on external financing may continue to increase. The Group's financial performance and operating results may be materially and adversely affected if its cash flow and sources of funding are insufficient to fund its debt service obligations. Failure to service the Group's outstanding debt could result in the imposition of penalties, including increase in interest rates, or the costs that the Group pays on the legal actions brought by its creditors against the Group, or bankruptcy.

Restrictive covenants contained in credit facilities may limit the Group's ability to incur additional indebtedness and restrict its future operations, and failure to comply with these restrictive covenants may adversely affect its liquidity, financial condition and results of operations.

Certain financing contracts entered into by members of the Group contain operational and financial restrictions on the Group or, as the case may be, the relevant subsidiary's business, that prohibit the borrower from incurring additional indebtedness unless it is able to satisfy certain financial ratios, restrict the borrower from creating security or granting guarantees or prohibit the borrower from changing its business and corporate structure, without the lender's prior consent. The ability of the Company or any of its relevant subsidiaries (as borrower) to meet such financial restrictions may be affected by events beyond its control. Such restrictions may also negatively affect the Group's ability to respond to changes in market conditions, take advantage of business opportunities the Group believes to be desirable, obtain future financing, fund capital expenditures, or withstand a continuing or future downturn in its business. Any of these factors could materially and adversely affect the Group's ability to satisfy its obligations under the Notes and other debt.

If the Company or any of its relevant subsidiaries is unable to comply with the restrictions (including restrictions on future investments) and covenants in its current or future debt obligations and other agreements, a default under the terms of such agreements may occur. In the event of a default under such agreements, the holders of the debt could terminate their commitments to the Company or its subsidiaries, accelerate the debt and declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Some of the financing contracts entered into by the Company or its subsidiaries may contain cross-acceleration or cross-default provisions. As a result, a default by the Company or any of its subsidiaries under any of such agreements may cause the acceleration of repayment of not only such debt but also other debt, or result in a default under other debt agreements. If any of these events occurs, there can be no assurance that the Company or its subsidiaries will be able to obtain the lenders' waiver in a timely manner or at all, or that the assets and cash flow of the Company or its subsidiaries would be sufficient to repay in full all of their respective debts as they become due, or that the Company or its subsidiaries would be able to find alternative financing. Even if the Company and its subsidiaries could obtain alternative financing, there can be no assurance that it would be on terms that are favourable or acceptable to the Company or, as the case may be, its subsidiaries.

The Group's account receivables may affect its liquidity and restrict its business operations.

As at 31 December 2017, 2018 and 2019, the Group's account receivables were RMB14,747.2 million, RMB13,604.4 million and RMB8,340.4 million, respectively, representing 9.2 per cent., 7.1 per cent. and 5.1 per cent. of the Group's total assets as at the corresponding dates. Although the Group's account receivables has been further decreased following the completion of the Group's spin-off of its intelligent terminal business, there is no guarantee that the Group's account receivables would not increase in the future due to the expansion of its business scale. In addition, although the Group made provisions for overdue account receivables as a reserve against the future recognition of certain account receivables as bad debt, there is no guarantee that the Group's customers or related parties will be able to make payment in a timely manner, if at all, or that the provisions made by the Group is sufficient to reflect the loss suffered by the Group if customers or related parties fail to make due payment according to the contracts. If any of these events occur, the Group's liquidity, business, financial condition or results of operations may be materially and adversely affected.

The Group's manufacturing processes are highly complex, costly and potentially vulnerable to disruptions that can significantly increase the Group's production costs.

The Group's manufacturing processes are highly complex, requiring sophisticated and costly equipment that is periodically modified and upgraded to improve manufacturing yields and product performance and reduce unit manufacturing costs. These upgrades expose the Group to the risk that production difficulties will arise from time to time, causing delivery delays, reduced output or both. The Group may also encounter these difficulties in connection with the adoption of new manufacturing process technologies. The Group cannot provide assurance that it will not experience manufacturing problems in achieving acceptable output, product delivery delays or both as a result of, among other factors, construction delays, difficulties in upgrading or modifying existing production lines or building new plants, difficulties in upgrading or modifying existing or adopting new manufacturing line technologies or processes or delays in equipment deliveries, any of which could constrain the Group's capacity and adversely affect its results of operations.

Limited availability of raw materials and components could materially and adversely affect the Group's business, results of operations and financial condition.

The Group's production operations depend on obtaining adequate supplies of quality raw materials and components on a timely basis at acceptable prices. As a result, it is important for the Group to control its raw material and components costs and reduce the effects of fluctuations in price and availability. Raw materials and components purchased by the Group generally include glass substrates, driver ICs, polarisers, backlight units and liquid crystal materials. The supplies of glass substrates and liquid crystal in the semi-conductor display industry are to a large extent dependent on a limited number of manufacturers in Europe, the United States and Japan. The Group has maintained cooperative relationships with certain suppliers, such as Asahi Glass Company, however, there can be no assurance that the Group will always be able to secure stable cooperation with key suppliers. The Group may experience shortages in the supply of certain key raw materials as well as components, as a result of, among other things, anticipated capacity expansion in the semi-conductor display and materials industry or the Group's dependence on a limited number of suppliers. The Group's results of operations would be adversely affected if the Group were unable to obtain adequate supplies of high-quality raw materials or components in a timely manner or make alternative arrangements for such supplies in a timely manner.

Furthermore, the Group may be unable to pass on increases in the cost of raw materials and components to its customers. Prices for the Group's products are determined through negotiations with its customers, based generally on the complexity of the product specifications and the labour and technology involved in the design or production processes. Except under certain special circumstances, the price terms in the purchase orders are not subject to change. Therefore, if the Group become subject to any significant increase in the cost of raw materials or components that were not anticipated when negotiating the price terms after the purchase orders have been placed, the Group may not be able to pass on such cost increases to its customers.

The Group's operating revenue depends on continuing demand for TVs, computers, mobile phones and other terminal devices. The Group's sales may not grow at the rate it expects if consumers do not purchase these products.

Following the completion of spin-off of the Group's intelligent terminal business, the Group's total sales are derived principally from customers who use its products in TVs, computers, mobile phones and other terminal devices with display panels. In particular, a substantial percentage of the Group's sales is derived from end-brand customers or their designated system integrators. Although the Group intends to grow the business involving video interaction and commercial display products and further optimise its product and customer mix, any downturn in any of the industries in which the Group's customers operate would result in reduced demand for its products, which may in turn result in reduced revenue, lower average selling prices and/or reduced margins.

Any failure by the Group to maintain relationships with its large customers would have an adverse effect on the Group's operating results.

The Group depends on a small number of customers for a substantial portion of its business operations. Since the completion of spin-off of its intelligent terminal business in April 2019, the Group primarily engages in the development and manufacture of semi-conductor display panels and related equipment and materials. For the years ended 31 December 2017, 2018 and 2019, the Group's five largest customers accounted for 17.9 per cent., 15.9 per cent. and 29.3 per cent. of the Group's core business operating revenue, respectively. The Group's ability to maintain stable business relationships with its customers is critical to its business operations. If any of the Group's key customers reduces, delays or cancels its orders or the financial condition of the Group's key customers deteriorate, the Group's business could be materially and adversely affected. Similarly, failure to manufacture sufficient quantities of products to meet customers' demands may cause the Group to lose customers, which may adversely affect the Group's results of operations and business prospects. In addition, if the Group's customers lose market share, they may reduce their orders from the Group. The Group may not be able to obtain orders from other customers to offset a reduction in any of its largest customers and failure to do so would materially and adversely affect its business, financial condition and results of operations.

The Group is subject to counterparty credit and performance risk.

Non-performance by the Group's suppliers and customers may occur in a range of circumstances, such as:

- a significant reduction in prices of products could result in customers being unwilling or unable to honour their contractual commitments to purchase from the Group at pre-agreed prices;

- suppliers may take payment in advance from the Group and then find themselves unable to honour their delivery obligations due to financial distress or other reasons; and

- a significant increase in prices of raw materials and components could result in suppliers being unwilling to honour their contractual commitments to sell to the Group at pre-agreed prices.

The Group relies on third parties to source the raw materials and components. Any disruption in the supply of raw materials and components, which may be caused by factors outside the Group's control, could adversely affect the Group's business, financial condition and results of operations.

The Group seeks to reduce the risk of customer non-performance by requiring credit support from creditworthy financial institutions, such as bank drafts, letters of credit or commercial bills. Whilst such credit support is believed appropriate based on current levels of perceived risk, there is a possibility that a protracted difficult economic environment could negatively impact the quality of these exposures. No assurance can be given that the Group's attempts to reduce the risk of customer non-performance will be successful in every instance or that its financial results will not be adversely affected by the failure of counterparties to fulfil their contractual obligations in the future. Such failure could have an adverse impact on the Group's business, results of operations, financial condition and prospectus.

If the Group is unable to maintain high capacity utilisation rates and production yields, its profitability will be adversely affected.

High capacity utilisation rates and production yields allow the Group to allocate fixed costs over a greater quantity of products. Increases or decreases in capacity utilisation rates and production yields can significantly impact its gross margin. Accordingly, the Group's ability to maintain or improve its gross margin will continue to depend, in part, on maintaining high capacity utilisation rates and production yields. There is no assurance that the Group's utilisation rates and production yields will not be negatively affected by adverse factors such as, among others, excess capacity, equipment malfunction, interruption in the availability of utilities and deficiencies in quality control. There is no assurance that the Group will be able to maintain high capacity utilisation rates and production yields in the future. If the demand for its products does not meet the Group's expectations, its capacity utilisation and gross margin will decrease.

The Group's supply chain finance business could be affected by material changes and fluctuations in the PRC banking industry.

The Group's supply chain finance business mainly serves the Group members and affiliates and small- and medium-sized companies covering upstream and downstream industry chains of semi-conductor display and materials. The fact that small- and medium-sized companies are generally underserved by the banking industry because large commercial banks in the PRC have historically been reluctant to provide lending to companies and consumers without sufficient credit support or adequate security. This has created opportunities for many enterprises, such as the Group, to develop and expand its supply chain finance business. However, the banking industry in the PRC has been evolving. The significant capital demand from the small- and medium-sized enterprises is causing many large commercial banks to adjust their loan portfolios to adapt to the changing market conditions. If those large commercial banks relax their requirements in granting loans to small- and medium-sized companies, and increase loans granted on an unsecured basis or at a lower level of credit guarantee in return for higher risk-based interest rates, it may cause a decrease in the market demand for the Group's supply chain finance business. Direct competition with those large commercial banks may also undermine the Group's relationship with them in respect of its financing activities and adversely affect its business and prospects.

The Group may be subject to liability and reputational damage for distribution of financial products issued by third-party institutions.

The Group distributes, through its subsidiary Admiralty Harbour Capital Limited (鐘港資本有限公司), financial products issued by third-party institutions. The structure of certain financial products may be complex and involve various risks. Although, as a third-party distributor, the Group is not liable for any investment loss or default directly derived from the financial products it distributes to its clients, the Group may be subject to client complaints, litigation, regulatory investigation and negative publicity, which could have an adverse effect on its reputation, relationships with clients, business and prospects.

The Group's results of operations fluctuate from time to time, which makes it difficult to evaluate its business or predict its future performance.

The Group's results of operations fluctuates from to time. For the years ended 31 December 2017, 2018 and 2019, the Group's total revenue amounted to RMB111,727.4 million, RMB113,447.4 million and RMB75,077.8 million, respectively. The significant decrease of the Group's total revenue for the year ended 31 December 2019 as compared to the year ended 31 December 2018 was primarily due to the Group's spin-off of its intelligent terminal business. The Group currently primarily engages in the development and manufacture of semi-conductor display panels and related equipment and materials, and there can be no assurance that the Group's results of operations would not fluctuate significantly in the future due to factors that are beyond the Group's control. The Group's business and operations may be adversely affected by a number of unfavourable factors, such as:

- the cyclical nature of the semi-conductor display and materials industry, including fluctuations in average selling prices, and the markets served by the Group's customers;
- access to raw materials and components, equipment, electricity, water and other required utilities on a timely and economical basis;
- the loss of key customers or their postponement of orders or adjustments in inventory policy; or
- changes in tariffs.

The Group may experience losses on inventories.

As at 31 December 2017, 2018 and 2019, the Group's inventories amounted to RMB12,946.3 million, RMB19,888.0 million and RMB5,678.0 million, respectively, representing 8.1 per cent., 10.3 per cent. and 3.4 per cent. of the Group's total assets as at the corresponding dates. The Group's inventories mainly comprise raw materials and finished goods. Frequent new product roll-outs and price fluctuations in the raw materials and components that the Group procures and/or the finished goods that the Group manufacturers may result in a decline in the net realisable value of the Group's inventory and adversely affect the Group's inventory management, which may in turn materially and adversely affect the Group's financial condition and results of operations.

The Group manages its inventory of raw materials, components and finished goods based on its rolling forecasts of customer demand, and orders raw materials and components in advance of product announcements and deliveries based on such forecasts. If the Group fails to accurately anticipate customer demand, manage its supply of such raw materials and finished goods and react quickly to market changes, the Group may carry excess or obsolete raw materials or finished goods which may require write-downs if their net realisable value falls below the Group's carrying cost. Such write-down could adversely affect the Group's gross margin.

Significant decrease in the Group's return on investment may adversely affect its results of operations and financial performance.

For the years ended 31 December 2017, 2018 and 2019, the Group's return on investment amounted to RMB2,438.7 million, RMB2,167.3 million and RMB3,442.6 million, respectively, representing 59.3 per cent., 53.0 per cent. and 86.6 per cent., respectively, of the Group's operating profit for the same years. The Group's return on investment consists primarily of share of profit of associates for the current period and net income from disposal of long-term equity investments. Significant decrease in the Group's return on investment incurred by the volatility of the financial markets or fluctuations of the business operations of the Group's invested companies may adversely affect the Group's results of operation and financial performance.

The Group's business currently benefits from certain PRC government subsidies, the loss or reduction of which could adversely affect the Group.

For the years ended 31 December 2017, 2018 and 2019, the Group recorded non-recurring government subsidies in the amount of RMB1,159.4 million, RMB1,377.1 million and RMB1,170.6 million, respectively. These government subsidies are primarily related to the semi-conductor display and materials industry that the Group operates in. There is no assurance that the subsidies that the Group receives will not decrease or change in the future due to changes of government policies or law or otherwise. There also can be no assurance that the Group will be entitled to other government grants or subsidies in the future. As a result, the Group is subject to the risk of fluctuation in operating revenue due to the uncertainty of government subsidies, as well as the fact that these subsidies contribute to the Group's operating revenue or offset expenses. A reduction or discontinuance of such government subsidies and other incentives may materially and adversely affect the Group's business, financial condition and results of operations.

The Group may be involved in intellectual property disputes.

The Group may be involved in litigation in the future based on third party claims that the Group's technologies, processes or products infringe the intellectual property rights of others or that the Group has misappropriated trade secrets of others. The Group may also initiate lawsuits to defend the ownership of the Group's inventions and the Group's trade secrets. It is difficult to predict how such disputes would be resolved. Litigation relating to intellectual property rights is costly and diverts technical and management personnel from their normal responsibilities. Furthermore, the Group may not be able to prevail in any such litigation or proceeding. A determination in an intellectual property litigation or proceeding that results in a finding of non-infringement by others to the Group's intellectual property or an invalidation of the Group's patents may result in the use by competitors of the Group's technologies or processes and sale by competitors of products that resemble the Group's products.

The Group filed 2,752 patent applications under the Patent Cooperation Treaty (the "**PCT**") in 2019. The Group had filed an aggregate of 11,261 patent applications under the PCT all over the world, including Europe, the United States and South Korea, by the end of 2019. Although the Group actively seeks to protect its intellectual property rights and know-how, there can be no assurance that claims will not be brought by third parties against the Group, its customers or its suppliers from time to time. If a claim is asserted, the Group cannot assure prospective investors that any resolution of the claim would permit the Group to continue to use the technologies or processes or produce the product in question on commercially reasonable terms. Any adverse outcome from such litigation, or the time and cost spent on the proceedings themselves, could materially and adversely affect the Group's business, financial condition and results of operations. In addition, there is a risk that the Group's confidential information could be compromised by disclosure during litigation. Furthermore, there could be public announcements throughout the course of litigation or proceedings as to the results of hearings, motions or other interim proceedings or developments in the litigation, any of which could materially harm the Group's reputation.

The Group's brand image, patents and other non-patented intellectual property are valuable assets, and if the Group is unable to protect them from infringement, the Group's business prospects may be harmed.

The brand image of the Group plays an integral role in all of its business operations. Any negative incident or negative publicity concerning the Group could adversely affect its reputation and business operations. In addition, the Group's success will depend in part on the Group's ability to obtain and maintain trade secrets and patent protection for the Group's technologies, know-how, processes and products as well as to successfully enforce the Group's intellectual properties and to defend the Group's intellectual properties against third-party challenges. The Group will only be able to protect its technologies, processes and products from unauthorised use by third parties to the extent that valid and enforceable intellectual property protections cover them. In the event that the Group's patents or applications do not adequately describe, enable or otherwise provide coverage for the Group's technologies, processes or products, the Group may not be able to exclude others from developing or commercialising these technologies, processes and products. Historically, the PRC has not protected intellectual property rights to the same extent as certain other countries, and infringement of intellectual property rights continues to pose a serious risk to doing business in the PRC. Monitoring and preventing unauthorised use is difficult, and the measures the Group takes to protect its intellectual property rights may not be adequate. Furthermore, the scope of protection for issued patents may also vary across different jurisdictions. The PRC has adopted a first to file system for patent applications, which means a patent will be granted to the person who first filed the application. As a result, failure by the Group to file any patent applications covering certain of its invention ahead of other applicants in the PRC could result in such patent applications being invalidated after the issuance of the first filed patent. If the Group is unable to adequately protect its intellectual property rights, the Group may lose its competitive advantage.

As some of the Group's technologies and production methods or processes involve unpatented or proprietary technology, processes, know-how or data, the Group also relies on trade secret protection and agreements to safeguard the Group's interests. However, trade secrets are difficult to protect. While the Group uses reasonable efforts to protect the Group's trade secrets, including requiring the Group's employees and other advisors to enter into confidentiality agreements with the Group, such persons may unintentionally or wilfully disclose the Group's information to its competitors. In addition, confidentiality agreements may not be enforceable or provide an adequate remedy in the event of unauthorised use or disclosure. It may be difficult to prove or enforce a claim that a third party had illegally obtained and used the Group's trade secrets. The Group's enforcement efforts may be expensive and time consuming and the outcome may be unpredictable. It is also possible that the Group's competitors may independently develop technologies that are equivalent to the Group's trade secrets, in which case, the Group may not be entitled to enforcing its trade secrets and the Group's business, financial condition and results of operations could be materially and adversely affected.

Any failure to maintain an effective quality control system could have a material adverse effect on the Group's business and operations.

The quality of the products that the Group manufacturers and the services that the Group provides is one of the factors critical to the Group's success. In order to sustain such success, the Group needs to continue to maintain an effective quality control system for its business operations, particularly for its manufacture of semi-conductor display panels and materials. The effectiveness of the Group's quality control system depends on a number of factors, including timely updates of the quality control system to suit the ever-changing business needs, training programmes as well as the Group's ability to ensure that its quality control policies and guidelines are adhered to. Any failure or deficiency in the Group's quality control system could result in defects in its products or services, which in turn may jeopardise the Group's reputation, reduce the demand for the products it manufactures or services it provides or even subject the Group to contractual or product liabilities and other claims, which could have a material adverse impact on the Group's business, financial condition and results of operations. In addition, if the Group fails to maintain high standards for product quality, its reputation may suffer and its customers may cancel their orders or return the Group's products, which will negatively affect the Group's business, financial condition and results of operations.

The Group may be sued for product liability or experience problems with product quality or performance which could result in adverse publicity or subject the Group to unexpected expenses, including potentially significant monetary damages.

The Group typically provides warranties to its customers for its products, and some of the Group's products are produced and sold according to customer specifications. If the Group's products fail to meet its customers' specifications, it will usually replace the products. However, the Group is still subject to claims from the Group's customers that end products sold by the Group's customers failed to perform or caused injury, damage or even death due to defects in the Group's products. While the Group has not incurred substantial expenses in the past relating to product defects, any future product defect could cause the Group to incur substantial expenses to replace defective products, provide refunds or resolve disputes with the Group's customers through litigation, arbitration or other means.

The Group is not required under PRC laws to maintain product liability insurance coverage and it has not secured any product liability insurance or any third party liability insurance. There may be circumstances in which the Group would not be covered or compensated by insurance in respect of losses, damages, claims and liabilities arising from or in connection with product liability or third party liability.

If any product liability claims are successfully asserted against the Group, the Group would be required to pay significant monetary damages. Even if a product liability claim does not result in a judgement in favour of a claimant, the Group may still incur substantial legal expenses defending against such a claim. In addition, product failures and the assertion of product liability claims against the Group, even if unsuccessful, could also result on adverse publicity that may damage the Group's reputation and customer relationships, which could have a material and adverse effect on the Group's business, financial condition and results of operations.

Da Hua, the Group's independent auditor, has previously been investigated, censured or penalised by relevant regulatory authorities.

Da Hua, the Group's independent auditor, is a registered accounting firm in the PRC supervised by the relevant PRC regulatory authorities. Da Hua, together with its auditors, have, over the years, been investigated, censured or penalised by relevant regulatory authorities in relation to its audit work for companies unrelated to the Group. Such administrative sanctions, including warning, monetary penalties on Da Hua and/or specific accounting personnel involved in the relevant audit work, mainly focus on the appropriateness of the implementation of accounting standards, non-compliance with certain auditing guidelines, the adequacy of professional scepticism in the auditing process, and the reasonableness of the judgement made by the auditors. On 27 April 2020, the CSRC Guangdong Branch (中國證券監督管理委員會廣東監管局) issued a warning letter against Da Hua and two auditors of Da Hua involved in the audit of the consolidated financial statements of the Company as at and for the year ended 31 December 2018 (the "**CSRC Warning Letter**"). As confirmed by Da Hua, the CSRC Warning Letter mainly focused on the procedural issues identified during the audit of the Company's consolidated financial statements and did not identify any substantive issues nor did it require a restatement of any part of the Company's consolidated financial statements. Pursuant to the CSRC Warning Letter, Da Hua was required to rectify its non-compliance in connection with the relevant procedural issues and file a rectification report by 27 May 2020. Da Hua submitted the rectification report in relation to the CSRC Warning Letter (the "**Rectification Report**") to the CSRC Guangdong Branch within the timeframe. As at the date of the Offering Circular, Da Hua has not received any objections or follow-up comments from CSRC Guangdong Branch on the Rectification Report.

Although such administrative sanctions may restrict Da Hua from providing audit services or other services in connection with certain financing transactions, Da Hua has further confirmed that none of such administrative sanctions (i) have restricted or will in any manner restrict Da Hua from serving as the auditors of the Group or providing assistance in respect of the issue and offering of the Notes; (ii) affect or in any way amend the conclusions in their audit opinions on the Company's consolidated financial statements as at and for the three years ended 31 December 2019 included elsewhere in this Offering Circular or any previous consolidated financial statements of the Company; or (iii) prevent Da Hua from issuing comfort letters or any audit opinions in respect of the issue and offering of the Notes. There can be no assurance, however, that such administrative sanctions imposed on Da Hua would not affect investors' confidence in the companies and financial statements audited by it. In addition, there is no assurance that CSRC or any regulatory authorities would not provide any objections or require follow-up on the Rectification Report or on the Company's financials as at and for the year ended 31 December 2018, or raise any other issues, which could affect investors' confidence in the companies and financial statements audited by Da Hua. Prospective investors should consider these factors prior to making any investment decision.

The Group's business may be affected by natural disasters, epidemics and other acts of God.

The Group's business may be affected by natural disasters, epidemics and other acts of God which are beyond the Group's control. The occurrence of earthquakes, sandstorms, snowstorms, fire or drought, or the outbreak of epidemics such as Middle East Respiratory Syndrome (MERS), Severe Acute Respiratory Syndrome (SARS), H5N1 avian flu, human swine flu (also known as Influenza A (H1N1)), H7N9, Zika Virus Disease or COVID-19 may have a material adverse impact on the economic and social conditions in the affected regions. The outbreak of COVID-19 caused delays in the resumption of local business in the PRC after the Chinese New Year holiday. Recently, COVID-19 has spread all over the world and was declared a pandemic on 11 March 2020 by the World Health Organisation. The global outbreak of COVID-19 may cause further negative economic impact and increase the volatility in the PRC and global market and could result in a widespread health crisis and restrict the level of business operations in the affected areas, which may in turn adversely affect the Group's business.

In particular, the Group purchases certain raw materials and components including glass substrates, driver ICs, polarisers, backlight units and liquid crystal materials from a limited number of suppliers. A significant disruption to the manufacturing or sourcing of raw materials and components for any reason, including the recent outbreak of COVID-19, could interrupt the Group's raw material and components supply and, if not remedied timely, could have an adverse impact on the Group's business, results of operations and financial condition. The recent outbreak of COVID-19 has also disrupted logistics operations in the PRC and across the world, which could cause delivery delays of raw materials and components sourced from suppliers or the products manufactured by the Group and could adversely affect the Group's results of operations. The Group may also experience reduced demand if the production facilities of the Group's customers were closed for an extended period to implement the PRC government's measures to curb COVID-19, may experience shortages of other necessary materials or slow production of their end products due to reduced customer demand for their end products resulting from the outbreak of COVID-19 or the weak economic outlook or decreases in disposable income of consumers of their end products. Should the disruption to the operations or its suppliers or customers extend beyond a specified period, it may materially and adversely affect the Group's results of operations and financial condition. In addition, any further disruption to the Group's business operations may negatively affect its liquidity and access to capital.

Natural disasters, pandemics or other acts of God could result in partial closure of one or more of the Group's manufacturing facilities. Although currently the Group's manufacturing facilities have not been affected by the recent outbreak of COVID-19, there is no guarantee that the Group's manufacturing facilities will not be impacted by the ongoing spread of COVID-19, natural disasters or other acts of God. In addition, if any of the employees of the Group is infected with any severe communicable disease including COVID-19, it may involve a temporary closure of the manufacturing facilities of the Group to prevent the spread of the disease. Should any one of the Group's manufacturing facilities become unavailable either temporarily or permanently, the inability to manufacture at the affected facility may result in increased costs, lower revenue and loss of customers.

Moreover, the PRC has experienced natural disasters such as earthquakes, floods and droughts in the past few years. For example, in May 2008 and April 2010, the PRC experienced earthquakes in Sichuan Province and Qinghai Province, respectively, resulting in the death of tens of thousands of people. Since the beginning of 2010, there have occurred severe droughts in southwestern China, resulting in significant economic losses in these areas. Any future occurrence of severe natural disasters in the PRC may adversely affect its economy and in turn the Group's business.

The Group's acquisitions may not be successful.

In addition to organic growth, the Group may also consider investment and acquisition opportunities complementing its existing business operations from time to time. The Group may be unable to identify suitable acquisition opportunities, negotiate acceptable terms or successfully acquire identified targets. The investigation of an acquisition or investment plan and the negotiation, drafting and execution of relevant terms, disclosure documents and other instruments will usually require substantial time and attention from the management of the Group and may involve substantial expenses for services provided by accountants, attorneys and other advisors. In addition, even if an agreement is reached relating to a specific acquisition or investment target, an investment or acquisition plan may be aborted due to many factors beyond the Group's control. If such acquisition or investment plan is not implemented, the costs incurred for the proposed transaction may not be recoverable. Furthermore, the Group may not have sufficient capital resources to complete proposed acquisitions in the future. The process of integrating an acquired business may involve unforeseen costs and delays or other operational, technical and financial difficulties that may require a disproportionate amount of management attention and financial and other resources. The failure to realise the expected synergies, successfully incorporate the acquired businesses and assets into the Group's existing operations or minimise any operational difficulties could have a material adverse effect on the Group's financial condition and results of operations.

The Group's operations are extensively regulated and require permits, licences, certificates and other approvals.

The industries where the Group's operation is involved are subject to extensive regulation by governmental authorities, as well as provincial and local authorities and agencies in the PRC and overseas. The Group is therefore required to obtain and maintain valid permits, licences and certificates by various government authorities.

There can be no assurance that the Group will always be able to obtain regulatory approvals or maintain or renew its regulatory approvals in the future, or that it will be able to adapt to new laws, regulations or policies that may come into effect from time to time or the particular processes with respect to the granting of approvals. There may also be delays on the part of the administrative bodies in reviewing the Group's applications and granting approvals. If the Group fails to obtain the relevant approvals, these operations may not proceed on schedule, and the Group's business, financial condition and results of operation may be adversely affected.

The Group has all permits, licences, qualifications and other government authorisations necessary to conduct its business operations. However, there can be no assurance that these permits, licences, qualifications and other authorisations will be renewed upon their expiration, or that the Group will continue to meet the standards imposed by the government. Further, government authorisations may be revoked if the operation fails to comply with the stipulated standards. Failure to obtain, maintain or renew relevant qualifications may have a material adverse impact on the Group's business, financial condition and results of operation.

The Group is required to comply with various environmental, safety and health laws and regulations which are extensive and the compliance of which may be onerous or expensive.

Some of the Group's manufacturing processes employ or create various hazardous substances, including chemical waste and waste water. The Group is subject to a variety of regulations in the jurisdictions in which it operates relating to the use, storage, discharge and disposal of chemicals and waste used in its manufacturing processes. Any failure to comply with present and future regulations or obtain the necessary certificates and permits could subject the Group to future fines and liabilities or other government sanctions. In addition, if more stringent regulations are imposed in the future, the costs of compliance with these new regulations could increase substantially. Any failure to control the use of or to restrict adequately the discharge of hazardous substances could subject the Group to monetary fines and liabilities or other government sanctions. If the Group is held liable for damages in the event of contamination or injury, it could have a material and adverse effect on the Group's business, financial condition and results of operations.

In accordance with environmental regulations, the Group is required to obtain, and has obtained, necessary licences and permits. The Group's ability to maintain, or renew such licences and permits on acceptable terms is subject to change, as the regulations and policies of applicable governmental authorities may change. There can be no assurance that the Group will be successful in obtaining the required approvals, licences and permits or that they would be granted by the relevant authorities in a timely manner. Failure to obtain the necessary approvals, licences and permits may subject the Group to monetary fines and liabilities or government sanctions which could adversely affect the Group's business, financial condition and result of operations.

The Group relies on key researchers and engineers, senior management and production facility operators, and the loss of the services of any such personnel or the inability to attract and retain them may negatively affect the Group's business operation.

The Group's success depends to a significant extent upon the continued service of the Group's R&D and engineering personnel, and on its ability to continue to attract, retain and motivate qualified researchers and engineers, especially during periods of rapid growth. In particular, as the Group acts as a market leader in introducing new products and advanced manufacturing processes, the Group must aggressively recruit R&D personnel and engineers with expertise in cutting-edge technologies. The Group also depends on the services of experienced key senior management, and if the Group loses their services, it would be difficult to find and integrate replacement personnel in a timely manner, if at all. The Group also employs highly skilled line operators at its production facilities. The loss of the services of any of the Group's key R&D and engineering personnel, senior management or skilled operators without adequate replacement, or the inability to attract new qualified personnel, would have a material adverse effect on the Group's business operations.

The Group is subject to business disruptions and operational risks.

A significant portion of the Group's manufacturing, R&D activities and certain other critical business operations are concentrated in a few geographic areas. Breakdown, failure or substandard performance of equipment, delays in delivery of equipment or improper installation or operation of equipment, difficulties in upgrading or expanding existing facilities in changing manufacturing line technologies, capacity constraints, labour disturbances, fire, natural disasters such as earthquakes or typhoons, environmental hazards and industrial accidents at any of its critical facilities could materially and adversely affect the Group's ability to conduct normal business operations and cause delivery delays and reduced output, which would have a material adverse effect on the Group's business, financial condition and results of operations.

The Group may face unexpected difficulties in implementing its expansion plans.

The Group currently engages in the development and manufacture of semi-conductor display panels and related equipment and materials and has also developed a diversified portfolio of other business operations and investments which provides synergies to its core business operations, including industrial finance and investment business and other business. As the Group continues to grow, its operations will expand and become more complex. It might become increasingly challenging for the Group to direct and monitor the day-to-day operations of its different business segments, to prevent and detect fraud and to protect its assets. To overcome this challenge, the Group must continue to improve its managerial, technology, operational and other resources, and to implement an effective management and internal control system that places emphasis on proper authorisations and reliability and accountability of financial reporting, imposes financial and internal control disciplines on subsidiaries and affiliates, and creates value-focused incentives for the management. In addition, in order to fund the Group's ongoing operations and its future growth, the Group needs to have sufficient internal sources of liquidity or access to additional financing from external sources. Further, the Group will be required to manage relationships with a greater number of customers, suppliers, lenders and other third parties. There can be no assurance that the Group will not experience issues such as capacity and capital constraints, operational difficulties or difficulties in training an increasing number of personnel to manage and operate the Group's facilities. In particular, failure to implement the Group's expansion plans in a timely manner could adversely affect its ability to maintain, expand and diversify its revenue base and to maintain its profitability. There can be no assurance that such expansion plans will not adversely affect the Group's existing operations and thereby may have a material adverse effect on its business, financial condition, operating results and future prospects and could cause the price of the Notes to fall.

The Group is exposed to foreign exchange risks.

As the Group conducts its business operations in the PRC and overseas and sells its products in the PRC and overseas markets, it is exposed to foreign exchange risk as the exchange rates between RMB and other currencies at the time the Group entered into the relevant agreements, may be substantially different from those at the time that the customers are required to make payments to the Group. In addition, if exchange rate fluctuations cause increases in the Group's costs of procurement, the Group may not be able to adjust its service or product price promptly to pass on such increment to its customers, which would negatively affect the Group's profits. For the years ended 31 December 2017, 2018 and 2019, the Group recorded core business operating revenue from its overseas sales of approximately RMB54,189.3 million, RMB55,809.5 million and RMB26,257.0 million, respectively, representing 49.0 per cent., 49.7 per cent. and 35.5 per cent., respectively, of its core business operating revenue for the same years. A substantial portion of the Group's operating revenue from overseas sales is denominated in foreign currencies.

The Group recorded net foreign exchange loss of approximately RMB1,371.1 million for the year ended 31 December 2017 and net foreign exchange gain of approximately RMB125.4 million and RMB226.2 million for the years ended 31 December 2018 and 2019, respectively. The Group enters into forward foreign exchange contracts pursuant to its foreign currency hedging policy to effectively manage its risk associated with foreign exchange fluctuations. Although the Group will continue to monitor closely its exposure to currency movement and take proactive measures, the Group's financial position may be adversely affected by exchange rate fluctuations.

The Group's financial condition and results of operations may be affected by material fluctuations in interest rates.

A material fluctuation in interest rates may have a material impact on the Group's interest expenses and payables under its bank loans and in turn negatively affect its financing costs and results of operations. Since the outbreak of the global financial crisis in 2008, the PBOC progressively lowered the benchmark lending rates with an aim to encourage lending, increase liquidity in the market and promote the recovery of China's economy. On 20 July 2013, pursuant to the Notice on Further Promoting the Market-oriented Interest Rate Reform (中國人民銀行關於進一步推進利率市場化改革的通知), the PBOC abolished the regulation of the benchmark lending rates for financial institutions and began allowing lending rates to be determined by financial institutions pursuant to market principles, known as the loan prime rate (the "**LPR**"). On 28 December 2019, the PBOC issued the Announcement on Matters Concerning the Shift of the Pricing Benchmark for Existing Floating Rate Loans to the LPR (存量浮動利率貸款的定價基準轉換為LPR有關事宜公告), which provides that financial institutions shall not be allowed to enter into floating rate loan contracts based on the benchmark lending rates after 1 January 2020, and, in principle, the shift of pricing benchmark for existing floating rate loans from the benchmark lending rates to the LPR should be completed before 31 August 2020. As at the date of this Offering Circular, all of the Company's bank loans bear interest based on the LPR. For the years ended 31 December 2017, 2018 and 2019, the Group's financial expenses were RMB1,665.3 million, RMB973.3 million and RMB1,248.8 million, respectively. Although the Group's financial condition and results of operations may benefit from a low-interest environment, there is no assurance that this environment will continue, nor can any assurance be given that the PRC government will not change or modify the measures in relation to interest rates in the future. In addition, any increase in the LPR in the future will increase the Group's financing costs and adversely affect its profitability, financial condition and results of operations.

If the Group fails to maintain effective internal controls and sound corporate governance, its business, financial condition, results of operations and reputation could be materially and adversely affected.

Internal controls and corporate governance play an important role in the Group's operation. There can be no assurance that the Group's internal control and corporate governance can always be adequate and effective to address the Group's expanding business operations. As a company listed on the Shenzhen Stock Exchange, the Company is also subject to PRC corporate governance rules for listed companies, the implementation of which may not be for the best interest of investors of the Notes. Although the Company believes it is in compliance with the applicable corporate governance and internal control rules, there can be no assurance that any non-compliance incident would not occur in the future. If the Company is found to be in violation of the applicable corporate governance and internal control rules, the Group's reputation, financial condition and results of operation may be adversely affected. The Group has implemented various measures to improve its internal controls and corporate governance. However, there can be no assurance that all such measures will prove to be effective or that material deficiencies in the Group's internal controls will not be discovered in the future. The Group's efforts to improve its internal controls have required, and in the future may require, increased costs and significant management time and commitment. If the Group fails to maintain effective internal controls or sound corporate governance, its business, financial condition, results of operations or reputation could be materially and adversely affected.

The Group may not be able to fully detect money laundering and other illegal or improper activities in its business operations on a timely basis.

The Group is required to comply with applicable anti-money laundering, anti-terrorism laws and other regulations in the PRC and to have sound internal control policies and procedures with respect to anti-money laundering monitoring and reporting activities. In the event that the Group fails to fully comply with applicable laws and regulations, the relevant government agencies may freeze its assets or impose fines or other penalties on it. There can be no assurance that the Group will not fail to detect money laundering or other illegal or improper activities. Such failure of the Group may affect its reputation, financial condition and results of operations.

The Group may not be able to detect and prevent fraud or other misconduct committed by its employees, representatives, agents, customers or other third parties.

The Group may be exposed to fraud or other misconduct committed by its employees, representatives, agents, customers or other third parties that could subject it to financial losses and sanctions imposed by governmental authorities, as well as affects its reputation. Examples of misconduct include:

- concealing unauthorised or unsuccessful activities, resulting in unknown and unmanaged risks or losses;

- intentionally concealing material facts, or failing to perform necessary due diligence procedures designed to identify potential risks, which are material to enabling the Group to make material business decisions, including investments, acquisitions or disposal of assets;

- improperly using or disclosing confidential information;

- recommending products, services or transactions that are not suitable for the Group's customers;

- misappropriation of funds;

- conducting transactions that exceed authorised limits;

- engaging in misrepresentation or fraudulent, deceptive or otherwise improper activities when marketing or selling products;

- engaging in unauthorised or excessive transactions to the detriment of the Group's customers; or

- otherwise not complying with applicable laws or the Group's internal policies and procedures.

The Group's internal control procedures are designed to monitor its operations and ensure overall compliance. However, such internal control procedures may be unable to identify all incidents of non-compliance or suspicious transactions in a timely manner if at all. Furthermore, it is not always possible to detect and prevent fraud and other misconduct, and the precautions the Group takes to prevent and detect such activities may not be effective.

There is no assurance that fraud or other misconduct will not occur in the future. If such fraud or other misconduct does occur, it may cause negative publicity and, as a result, the Group's reputation, financial condition and results of operations could be materially and adversely affected.

The Group faces litigation risks in the ordinary course of its business.

In the ordinary course of the Group's business, claims involving suppliers, customers and other parties may be brought against the Group or by the Group in connection with its business operations from time to time, including for alleged breach of contract and liabilities for defects, delays, injuries or damages. The claims can involve actual damages and liquidated damages.

Both claims brought against the Group and by the Group, if not resolved through negotiation, are often subject to lengthy and expensive litigation or arbitration proceedings which could be disruptive to the Group's normal business operations and may distract the management's attention. The results of these legal proceedings are often difficult to predict and the amounts ultimately realised from such claims by the Group could differ from the balances or provisions included in the Group's financial statements. Moreover, legal proceedings resulting in judgements or findings against the Group may harm its reputation, cause financial losses and/or affect its business prospects. Such claims could therefore have a material and adverse impact on the Group's financial condition, results of operations and cash flow.

Failure or deficiencies in the information technology system of the Group could have a material adverse effect on its business, financial condition and results of operations.

The business operations of the Group depend heavily on its business, accounting and other data processing systems. The failure of normal operation or even inability in operation of any of such systems would expose the Group to financial losses, business disruption, intervention of regulatory authorities or reputational damage.

The proper functioning of the Group's business processing, accounting, financial controls, risk management and other business is dependent on the information technology systems and communication networks with the third parties. If the fundamental systems which support the Group's business suffers from malfunction or disruption, it may have a material adverse effect on the ongoing business of the Group. These failures could be caused by, among other things, hardware failure, software programme errors, computer virus attacks, network failure, conversion errors due to system upgrading or system relocation, failure to implement new information technology initiatives, human errors, natural disasters, war, terrorist attacks, blackouts and unanticipated problems of facilities, many of which are beyond the control of the Group. Although the Group backs up its business data regularly, any prolonged disruption to or malfunction in the operation of the Group's information technology systems could limit its ability to monitor and manage data, control financial and operation conditions, monitor and manage the Group's risk exposures, keep accurate records and develop and sell profitable products and services. Recovery from such disasters may be unable to mitigate the losses incurred during such malfunction and disruptions. As such, any failure or deficiencies in the information technology system of the Group may negatively affect the operations of the Group and, as a result, the Group's business, financial condition and results of operations could be materially and adversely affected.

The insurance coverage in respect of the Group's business operations may not be adequate, which could materially and adversely affect the Group's results of operations and cash flow.

The Group faces various operational risks in connection with its business operations. The Group maintains insurance coverage in amounts that the Group believes are consistent with its risk of loss and the customary practices in the relevant industries. However, there are also certain types of losses (such as from wars, acts of terrorism or acts of God, business interruption, property risks and third party (public) liability) that generally are not insured because they are either uninsurable or not economically insurable. Even if certain risks are covered by the policies maintained by the Group, claims under these insurance policies may not be honoured fully or on time, or the insurance coverage may not be sufficient to cover the costs incurred in the Group's operations related to its operational risks. To the extent that the Group suffers losses or damages that are not covered by insurance or that exceed the limits of the insurance coverage, the Group's results of operations and cash flow may be materially and adversely affected.

The Group's historical financial information may not be indicative of its current or future results of operations and the Group's results of operations may be materially affected by the spin-off.

The historical financial information included in this Offering Circular does not represent or predict the current or future financial results of the Group. The results of operations of the Group in any future periods may change materially if the future growth does not follow the Group's historical trends for various reasons, including factors beyond the control of the Group, such as changes in economic environment, PRC environmental rules and regulations and the competitive landscape of the industries in which the Group operates its business. In particular, on 15 April 2019, the Group has completed the spin-off of its intelligent terminal business. See "*Description of the Group — History and Development*" and "*Description of the Group — Description of the Group's Business — Intelligent Terminal Business*" for details of this spin-off. After the completion of the spin-off, the Group primarily engages in the development and manufacture of semi-conductor display panels and related equipment and materials and no longer conducts the intelligent terminal business.

However, the Group has not included *pro forma* financial statements of the Group in this Offering Circular that reflect, on a *pro forma* basis, the impact of the spin-off on the financial condition and results of operations of the Group. The Group's consolidated financial statements as at and for the three years ended 31 December 2019 take into account the effect of the spin-off. See "*Note XIII. Description of Other Important Matters — (I) Discontinued Operation*" of the Company's consolidated financial statements as at and for the three years ended 31 December 2019 included elsewhere in this Offering Circular for further details. As a result, the Group's historical financial information as at and for the years ended 31 December 2017 and 2018 may not be comparable to the Group's financial information as at and for the year ended 31 December 2019. Prospective investors should not rely on the Group's historical financial information to evaluate the Group's current or future results of operations.

Investors should not place any reliance on financial information which is unreviewed or unaudited and shall not place undue reliance on the discussion of material financial trends in relation to the Group's unaudited and unreviewed financial information.

This Offering Circular contains certain discussion of material financial information as at and for the three months ended 31 March 2020 and certain material trends in the Group's financial results. Such unaudited and unreviewed financial information is not included in, and does not form a part of, this Offering Circular. Such unaudited and unreviewed financial information has not been audited or reviewed by Da Hua. Such financial information and the discussion of material financial trends in relation to such financial information should not be relied upon by investors to provide the same quality of information associated with audited or reviewed financial information. Potential investors must exercise caution when considering such material financial information and trends and evaluating the Group's financial condition and results of operations.

As a company listed on the Shenzhen Stock Exchange, the Group is required to publish its periodic financial information to satisfy its continuing disclosure obligations pursuant to applicable PRC securities regulations. The interim financial information published by the Group in the PRC is normally derived from its management accounts and is neither audited nor reviewed by independent auditors. Certain historical financial information that is not included in this Offering Circular may not be directly comparable to the financial statements contained herein. Unless specifically included in this Offering Circular, such financial information does not form part of this Offering Circular, and should not be referred to or relied upon by potential investors to provide the same quality of information associated with any audited or reviewed financial information. The Group is not responsible to holders of the Notes for the financial information from time to time published in the PRC and therefore investors should not place any reliance on any such financial information.

RISKS RELATING TO THE PRC

The Group's business, financial condition, results of operation and prospects could be adversely affected by slowdown in the PRC's economy.

A substantial part of the Group's assets are located in the PRC and a substantial part of the Group's operating revenue is derived from the PRC. Therefore, the performance of the PRC economy affects, to a significant degree, the Group's business, prospects, financial condition and results of operations.

Although the PRC economy has experienced rapid growth in the past 40 years, there has been a slowdown in the growth of the PRC's GDP since the second half of 2013 and this has raised market concerns that the historic rapid growth of the PRC economy may not be sustainable in the future. The continued growth of the PRC economy has been facing downward pressure, and the annual GDP growth rate declined from 7.8 per cent. in 2013 to 6.1 per cent. in 2019, according to the National Statistics Bureau of the PRC. In May 2017, Moody's downgraded China's sovereign credit rating for the first time since 1989 and changed its outlook from stable to negative, citing concerns on the country's rising levels of debt and expectations of slower economic growth. In September 2017, S&P Global Ratings downgraded China's sovereign credit rating for the first time since 1999, citing similar concerns. The full impact of such actions by international rating agencies remains uncertain, but the perceived weaknesses in China's economic development model, if proven and left unchecked, could have profound implications.

The future performance of the PRC economy is not only affected by the economic and monetary policies of the PRC government, but also exposed to material changes in global economic and political environments as well as the performance of certain major developed economies in the world, such as the United States and the European Union. The PRC's economic growth may also slow down due to weakened exports as well as recent developments surrounding the trade war with the United States. Starting in April 2018, the United States imposed tariffs on various categories of imports from China, and China responded with similarly sized tariffs on United States' products. While China and the United States reached a phase one trade deal in January 2020, the amicable resolution of such a trade war remains elusive, and the lasting impacts any trade war may have on the PRC economy and the industries the Group operates in remain uncertain. On 31 January 2020, the United Kingdom officially exited the European Union following a United Kingdom-European Union Withdrawal Agreement signed in October 2019. The United Kingdom and the European Union will have a transition period until 31 December 2020 to negotiate, among others, trade agreements in details. Given the lack of precedent and uncertainty of the negotiation, the effect of United Kingdom's exit remains uncertain, and United Kingdom's exit has and may continue to create negative economic impact and increase volatility in the global market. In addition, the recent outbreak of COVID-19 has also brought negative economic impact and increased the volatility in the global market. See "— *Risks relating to the Group and Its Business — The Group's business may be affected by natural disasters, epidemics and other acts of God*" for further details. If economic conditions in the key markets of the Group remain uncertain and deteriorate further, the Group may experience a material impact on its business, operating results and financial condition.

Any slowdown in the PRC economy may increase the Group's exposure to material losses from its investments, dampening the opportunities for developing the Group's businesses, create a credit tightening environment, increase the Group's financing costs, or reduce government subsidies to the Group, any of which may result in a material adverse effect on the Group's business, results of operations and financial condition.

PRC economic, political and social conditions as well as government policies could adversely affect the Group's business.

The PRC economy differs from the economies of most developed countries in many respects, including with respect to government involvement, level of development, economic growth rate, control of foreign exchange and allocation of resources.

The PRC economy has been transitioning from a planned economy to a more market-oriented economy. In recent years, the PRC government has implemented a series of measures emphasising on market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises. However, a large portion of productive assets in the PRC remain owned by the PRC government. The PRC government continues to play a significant role in regulating industrial development, the allocation of resources, production, pricing and management, and there can be no assurance that the PRC government will continue to pursue the economic reforms or that any such reforms will not have an adverse effect on the Group's business.

The Group's operations and financial results could also be materially and adversely affected by changes in political, economic and social conditions or the relevant policies of the PRC government, such as changes in laws and regulations (or the interpretation thereof). For example, the PRC government may decide to change its current policies with respect to the Group's core business industries, and, as such, this could have adverse impact on the Group's business and results of operations. In the past, the PRC government has implemented administrative measures to restrain economic growth rates that were considered unsustainably high and to calm inflation fears. Such actions may result in an economic slowdown which could have negative macro-economic effects in the PRC and PRC-related markets. The Group's operating results and financial condition may also be materially and adversely affected by other changes in taxation and changes in state policies affecting the industries in which the Group operates. In addition, the growth of the Group's projects and business operations depends heavily on economic growth. If the PRC's economic growth slows down or if the PRC economy experiences a recession, the Group's business prospects may be materially and adversely affected. The Group's operations and financial results, as well as its ability to satisfy its obligations under the Notes, could also be materially and adversely affected by changes in measures which might be introduced to control inflation, changes in the rate or method of taxation, the imposition of additional restrictions on currency conversion and the imposition of additional import restrictions.

Interpretation and implementation of the laws and regulations in the PRC may involve uncertainties.

As a substantial part of the Group's businesses are conducted, and a substantial part of the Group's assets are located, in the PRC, a substantial part of the Group's business and operations are governed principally by PRC laws and regulations. The PRC legal system is based on written statutes while prior court decisions can only be cited as reference. Since 1979, the PRC government has begun to promulgate a comprehensive system of laws and has introduced many new laws and regulations to provide general guidance on economic and business practises in the PRC and to regulate foreign investment. However, China has not developed a fully-integrated legal system and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. In particular, because these laws and regulations are relatively new, and because of the limited volume of published decisions and their non-binding nature, the interpretation and enforcement of these laws and regulations involve uncertainties. In addition, the

PRC legal system is based, in part, on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, the Group may not be aware of the Group's violation of these policies and rules until some time after the violation. In addition, any litigation in China may be protracted and result in substantial costs and the diversion of resources and management's attention.

It may be difficult to effect service of process or enforce any judgements obtained from non-PRC courts against the Group or its directors and senior management who reside in the PRC.

A substantial part of the Group's assets are located within the PRC. In addition, most of the Group's directors and senior management reside within the PRC, and assets of the directors and senior management may also be located within the PRC. As a result, it may not be possible to effect service of process outside the PRC upon most of the Group's directors and senior management, including for matters arising under applicable securities laws. A judgement of a court of another jurisdiction may be reciprocally recognised or enforced if the jurisdiction has a treaty with the PRC or if judgements of the PRC courts have been recognised before in that jurisdiction, subject to the satisfaction of other requirements.

On 14 July 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "**Arrangement**"), pursuant to which a party with a final court judgement rendered by a Hong Kong court requiring payment of money in a civil or commercial case pursuant to a "choice of court" agreement in writing may apply for the recognition and enforcement of the judgement in the PRC. Similarly, a party with a final court judgement rendered by a PRC court requiring payment of money in a civil or commercial case pursuant to a "choice of court" agreement in writing may apply for the recognition and enforcement of such judgement in Hong Kong. A "choice of court" agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly chosen as the court having sole jurisdiction for resolving the dispute. Therefore, it is not possible to enforce a judgement rendered by a Hong Kong court in the PRC if the parties in dispute do not enter into a "choice of court" agreement in writing. As a result, it may be difficult or impossible for investors to effect service of process against the Group or its directors or senior management in the PRC and/or to seek recognition and enforcement of a judgement rendered by a Hong Kong court in the PRC. On 18 January 2019, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters between the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the "**New Arrangement**"), which seeks to establish a bilateral legal mechanism with greater clarity and certainty for the recognition and enforcement of judgements in a wide range of civil or commercial matters between the courts of

Hong Kong and the PRC. The New Arrangement will be implemented by local legislation in Hong Kong and will take effect after the necessary procedures have been completed in both Hong Kong and the PRC to effect its implementation and shall apply to the judgements rendered by the courts of Hong Kong and the PRC on or after the date of the effectiveness of the New Arrangement. Upon effectiveness of the New Arrangement, the Arrangement shall be terminated, except for "choice of court" agreements in writing made between parties before the commencement of the New Arrangement, in which case the Arrangement shall continue to apply. However, the recognition and enforcement of judgements rendered by a Hong Kong court in the PRC are subject to the provisions, limits, procedures and other terms and requirements of the New Arrangement. There can be no assurance that investors can successfully effect service of process against the Group or its directors or senior management in the PRC and/or to seek the recognition and enforcement of any judgements rendered by a Hong Kong court in the PRC. Therefore, it may be difficult for investors to enforce any judgements obtained from non-PRC courts against the Group or any of its directors or senior management in the PRC.

The PRC government's control over currency conversion may limit the Group's foreign exchange transactions.

Currently, Renminbi still cannot be completely freely converted into any foreign currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate, the Group will have sufficient foreign exchange to meet its foreign exchange requirements. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by the Group do not require advance approval from the SAFE, but the Group is required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within the PRC that have the requisite licences to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by the Group, however, must be approved in advance by or registered with the SAFE or its local branches or their authorised banks.

In addition, any insufficiency of foreign currency funds may restrict the Group's ability to obtain sufficient foreign currency funds to satisfy any other foreign exchange requirements. If the Group fails to obtain approval from SAFE to convert Renminbi into any foreign exchange for any of the above purposes, its capital expenditure plans, and even *the business, results of operations and financial condition of the Group, may be materially and adversely affected.*

Fluctuations in exchange rates may have an adverse effect on the Group's business, financial condition and results of operations.

The value of the Renminbi against the U.S. dollar and other currencies fluctuates and is affected by, among other things, changes in the PRC's political and economic conditions. On 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. Since then, the PRC government has made, and may in the future make, further adjustments to the exchange rate system. The PBOC announces the closing price of a foreign currency traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each working day, and makes it the central parity for the trading against the Renminbi on the following working day. The PBOC surprised markets in August 2015 by thrice devaluing the Renminbi, lowering its daily median trading price significantly against the U.S. dollar. The currency devaluation of the Renminbi was intended to bring it more in line with the market by taking market signals into account. Renminbi depreciated significantly against the U.S. dollar following this August 2015 announcement by the PBOC and hit record lows since 2008 against the U.S. dollar in 2016. Following the gradual appreciation of Renminbi in 2017, Renminbi experienced a recent depreciation in value against U.S. dollar following a fluctuation in 2018 and early 2019. On 5 August 2019, the PBOC set the Renminbi's daily reference rate above 7 per U.S. dollar for the first time in over a decade amidst an uncertain trade and global economic climate. For more details, see "*Exchange Rate Information*". With an increased floating range of the Renminbi's value against foreign currencies and a more market-oriented mechanism for determining the median exchange rates, the Renminbi may further appreciate or depreciate significantly in value against the U.S. dollar or other foreign currencies in the long-term. Any significant depreciation of the Renminbi may adversely affect the value of the Group's businesses. In addition, there are limited instruments available for the Group to reduce its foreign currency risk exposure at reasonable costs. All of these factors could materially and adversely affect the business, financial condition and results of operations of the Group.

There can be no assurance of the accuracy or comparability of facts and statistics contained in this Offering Circular with respect to the PRC, its economy or the relevant industry.

Facts, forecasts and other statistics in this Offering Circular relating to the PRC, its economy or the relevant industry in which the Group operates have been directly or indirectly derived from official government publications and certain other public industry sources. Although the Group believes such facts and statistics are accurate and reliable, it cannot guarantee the quality or the reliability of such source materials. They have not been prepared or independently verified by the Group, the Joint Lead Managers, the Trustee, the Agents or any of its or their respective affiliates, employees, officers, directors, agents, advisers or representatives, and, therefore, the Group, the Joint Lead Managers, the Trustee, the Agents or any of its or their respective affiliates, employees, officers, directors, agents, advisers or representatives makes no representation as to the completeness, accuracy or fairness of such facts or other statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be incomplete, inaccurate or unfair or may not be comparable to statistics produced for other economies or the same or similar industries in other countries and should not be unduly relied upon. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts or other statistics.

RISKS RELATING TO THE NOTES, THE KEEPWELL DEED AND THE SBLC

The Notes may not be a suitable investment for all investors.

The Notes are complex financial instruments and may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Notes unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;

(iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The liquidity and price of the Notes following the offering may be volatile.

The price and trading volume of the Notes may be highly volatile. Factors such as variations in each of the Group's revenue, earnings and cash flows and proposals of new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in prices for comparable companies could cause the price of the Notes to change. Any such developments may result in large and sudden changes in the volume and price at which the Notes will trade. There is no assurance that these developments will not occur in the future.

The Notes constitute a new issue of securities for which there is no existing trading market.

There is currently no existing trading market for the Notes and the Notes offer limited liquidity. Although application will be made to the SGX-ST for permission to deal in and list the Notes, neither the Issuer nor the Company can guarantee that the application to the SGX-ST will be approved, or that a liquid trading market for the Notes will develop or continue. If such a market were to develop, the Notes could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Group's operations and the market for similar securities. None of the Joint Lead Managers is obliged to make a market in the Notes and any such market making, if commenced, may be discontinued at any time at the sole discretion of the Joint Lead Managers.

The Notes are redeemable in the event of certain withholding taxes being applicable.

No assurances are made by the Issuer as to whether or not payments on the Notes may be made without withholding taxes or deductions applying from the Issue Date on account of any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands, Hong Kong, the PRC or any subdivision or authority therein or thereof having power to tax. See "*Terms and Conditions of the Notes — Redemption for Taxation Reasons*" for additional details.

The Issuer may not be able to meet its outstanding obligations under the Notes.

The Issuer may (and at maturity, will) be required to redeem all of the Notes. If such an event were to occur, the Issuer may not have sufficient cash on hand and may not be able to arrange financing to redeem the Notes in time, or on acceptable terms, or at all. The ability to redeem the Notes in such event may also be limited by the terms of other debt instruments. Failure to repay, repurchase or redeem tendered Notes by or on behalf of the Issuer may constitute an event of default under the Notes, which may also constitute a default under the terms of the Issuer's other indebtedness.

The Trustee may request the Noteholders to provide an indemnity and/or security and/or pre-funding to its satisfaction.

In certain circumstances (including without limitation giving of notice to the Issuer pursuant to Condition 9 *(Events of Default)* of the Terms and Conditions of the Notes and taking action pursuant to Condition 9 *(Events of Default)* of the Terms and Conditions of the Notes), the Trustee may (at its discretion) request Noteholders to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes actions on behalf of Noteholders. The Trustee shall not be obliged to take any such actions if not indemnified and/or pre-funded and/or secured to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or pre-funding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or pre-funding to it, in breach of the terms of the Trust Deed constituting the Notes and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the Noteholders to take such actions directly.

Modifications and waivers may be made in respect of the Terms and Conditions of the Notes, the Trust Deed, Agency Agreement, the SBLC and the Keepwell Deed by the Trustee or less than all of the Noteholders.

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders, including those Noteholders who do not attend and vote at the relevant meeting and those Noteholders who vote in a manner contrary to the majority. Furthermore, there is a risk that the decision of a majority of Noteholders may be adverse to the interests of individual Noteholders.

The Terms and Conditions of the Notes also provide that the Trustee may, without the consent of Noteholders, agree to any modification of the Trust Deed, the Agency Agreement, the SBLC or the Keepwell Deed which in the opinion of the Trustee will not be materially prejudicial to the interests of Noteholders and to any modification of the Trust Deed, the Keepwell Deed, the Agency Agreement or the SBLC which is of a formal, minor or technical nature or is to correct a manifest error.

In addition, the Trustee may, without the consent of the Noteholders, authorise or waive any proposed breach or breach of the Notes, the Trust Deed, the Agency Agreement or the SBLC (other than a proposed breach or breach relating to the subject of certain reserved matters) if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby.

Claims by the holders of the Notes are structurally or effectively subordinated to secured debt.

The Notes are senior and unsecured obligations of the Issuer. Payments under the Notes are structurally or effectively subordinated to all the secured debts of the Issuer to the extent of the value of the assets securing such debts. The effect of this subordination is that, in the event of a bankruptcy, liquidation, dissolution, reorganisation or similar proceeding involving the Issuer, the assets of the Issuer could not be used to pay the holders of the Notes until after all secured claims against the Issuer have been fully paid.

The Group may issue additional Notes in the future.

The Group may, from time to time, and without the consent of the Noteholders create and issue further Notes (See "*Terms and Conditions of the Notes — Further Issues*") or otherwise raise additional capital through such means and in such manner as it may consider necessary. There can be no assurance that such future issuance or capital raising activity will not adversely affect the market price of the Notes.

Changes in market interest rates may adversely affect the value of the Notes.

Investment in the Notes, which carry a fixed rate of interest, involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.

Gains on the transfer of the Notes may be subject to income tax under PRC tax laws.

Under the new EIT Law and its implementation rules, any gains realised on the transfer of the Notes by holders who are deemed under the EIT Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as incomes derived from sources within the PRC. Under the EIT Law, a "non-resident enterprise" means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained incomes derived from sources within the PRC. In addition, there is uncertainty as to whether gains realised on the transfer of the Notes by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the 10 per cent. enterprise income tax rate and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Notes minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to an arrangement between mainland China and Hong Kong for avoidance of double taxation and prevention of fiscal evasion, Noteholders who are Hong Kong residents, including both enterprise holders and individual holders, are exempted from PRC income tax on capital gains derived from a sale or exchange of the Notes.

If a Noteholder, being a non-resident enterprise or non-resident individual, is required to pay any PRC income tax on gains on the transfer of the Notes, the value of the relevant Noteholder's investment in the Notes may be materially and adversely affected.

The interpretation of the NDRC Circular may involve significant uncertainty, which may adversely affect the enforceability and/or effective performance of the Notes. Any failure to complete the relevant filings under the NDRC Circular within the prescribed time frame following the completion of the issuance of the Notes may have adverse consequences for the Issuer and/or the investors of the Notes.

The NDRC issued the NDRC Circular on 14 September 2015, which came into effect on the same day. According to the NDRC Circular, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities issued over one year outside the PRC with the NDRC prior to the issue of the securities and notify the particulars of the relevant issues within 10 working days after the completion of the issue of the securities.

The NDRC Circular is silent on the legal consequences of noncompliance with the pre-issue registration requirement. The Issuer has obtained the NDRC Pre-issuance Registration Certificate dated 18 May 2020. Similarly the legal consequences of non-compliance with the post-issue notification requirement under the NDRC Circular are unclear. In the worst case scenario, such non-compliance with the post-issue notification requirement under the NDRC Circular may result in it being unlawful for the Issuer to perform or comply with any of its obligations under the Notes and the Notes might be subject to enforcement as provided in Condition 13 of the Terms and Conditions of the Notes. In addition, the administration of the NDRC Circular may be subject to a certain degree of executive and policy discretion by the NDRC. There is also risk that the registration certificate with the NDRC may be revoked or amended in the future or that future changes in PRC laws and regulations may have a negative impact on the performance or validity and enforceability of the Notes in the PRC. Potential investors of the Notes are advised to exercise due caution when making their investment decisions.

The Issuer will follow the applicable corporate disclosure standards for debt securities listed on the SGX-ST, which standards may be different from those applicable to companies in certain other countries.

The Issuer will be subject to reporting obligations in respect of the Notes to be listed on the SGX-ST. The disclosure standards imposed by the SGX-ST may be different than those imposed by securities exchanges in other countries or regions such as the United States. As a result, the level of information that is available may not correspond to what investors in the Notes are accustomed to.

Investors should not place any reliance on any information released by the Company in connection with its listing on the Shenzhen Stock Exchange.

As a company listed on the Shenzhen Stock Exchange, the Company has been subject to periodic reporting and other information disclosure requirements in the PRC. As a result, from time to time the Company publicly releases information relating to itself on the Shenzhen Stock Exchange or other media outlets designated by the CSRC. However, the information released by the Company in connection with its domestic listing is based on the regulatory requirements of the securities authorities and market practices in the PRC which are different from those applicable to the offering of the Notes. Such information, except for such information that is incorporated by reference to this Offering Circular, does not and will not form a part of this Offering Circular. As a result, prospective investors of the Notes are reminded that, in making their investment decisions as to whether to purchase the Notes, they should rely only on the financial, operating and other information included in this Offering Circular. By applying to purchase the Notes in the offering, investors will be deemed to have agreed that you will not rely on any information other than that contained in this Offering Circular.

The rating on the Notes may be changed at any time and may adversely affect the market price of the Notes.

It is a condition to the issuance of the Notes that the Notes be rated "A1" by Moody's. The rating addresses the full and timely payment of interest and the timely repayment of principal on or before the maturity date in accordance with the terms and conditions of the Notes. A rating is not a recommendation to purchase, hold or sell the Notes. No assurance can be given that a rating will remain in effect for any given period of time or that a rating will not be lowered or withdrawn entirely by an assigning rating agency. Any decline in the financial position of the Issuer, the Company or any of its subsidiaries may impair the ability of the Issuer to make payments to the Noteholders under the Notes and/or result in the rating of the Notes being lowered, suspended or withdrawn entirely. If the rating initially assigned to the Notes is subsequently lowered or withdrawn for any reason, no person or entity will be obliged to provide any additional credit enhancement with respect to the Notes. Any reduction or withdrawal of a rating may have an adverse effect on the liquidity and market price of the Notes.

Any downgrading of the Company's corporate ratings, or those of its subsidiaries, by rating agencies could adversely affect the Group's business and the Group's liquidity.

Any adverse revision to the Company's corporate ratings, or those of its subsidiaries, for domestic and international debt by rating agencies such as Fitch Ratings Ltd. ("**Fitch**"), Moody's and Standard & Poor's Rating Services ("**S&P**") may adversely affect the Group's business, its financial performance and the trading price of the Notes. Further, the Group's ability to obtain financing or to access to capital markets may also be limited, thereby lowering its liquidity.

The Keepwell Deed is not a guarantee of the payment obligations under the Notes, and enforcement of the Keepwell Deed in the PRC may be subject to procedural difficulties.

The Company will enter into the Keepwell Deed in relation to the Notes. See "*Description of the Keepwell Deed*". Under the Keepwell Deed, the Company will undertake with the Issuer and the Trustee, among other things, to ensure that the Issuer has sufficient liquidity to ensure timely payment of any amounts payable under the Notes in accordance with their terms of payment as and when due. However, neither the Keepwell Deed nor any actions taken by the Company thereunder can be deemed as a guarantee by the Company for the payment obligation of the Issuer under the Notes. Accordingly, in the event of a payment default on the point of the Issuer, the Company will only be obliged to make sufficient funds available to the Issuer, rather than assume the payment obligation as in the case of a guarantee.

Furthermore, the rights of the holders of the Notes to obtain any remedy, including specific performance, or to enforce the obligations of the Company under the Keepwell Deed, may be subject to procedural and practical difficulties. For example, if holders of the Notes were to obtain a successful judgement against the Company under the Keepwell Deed from a Hong Kong court, the judgement of the Hong Kong court would have to be enforced in the PRC, where substantially all of the Company's assets are located.

The Issuer and/or the Trustee's claims under the Keepwell Deed may be structurally subordinated to existing and future secured liabilities and obligations of the Company and will be structurally subordinated to all existing and future liabilities and obligations of the Company's subsidiaries (other than the Issuer).

As described above, under the Keepwell Deed, the Company will undertake with the Issuer and the Trustee, among other things, to cause the Issuer to have sufficient liquidity to ensure timely payment of any amounts payable in respect of the Notes. Payments will be remitted by the Company out of the PRC to the Issuer in the forms of inter-company loans or capital injection to the Issuer in order for it to meet its payment obligations under the Notes. The ability of the Company to make such payments is subject to, among other things, its cash flow conditions, restrictions contained in its articles of association, applicable laws, restrictions contained in its debt instruments and claims by its creditors. Further, the Company derives part of its revenue from its subsidiaries. It thus may need to depend on dividends or interest and principal payments from its subsidiaries to satisfy its obligations, including its obligations under the Keepwell Deed.

As a result, any claim by the Issuer and/or the Trustee against the Company in relation to the Keepwell Deed will be effectively subordinated to all existing and future claims of the secured creditors of the Company and, in the case of payment by the Company to the Issuer in the form of capital increases, also to the claims of the other creditors of the Company. The Issuer and/or the Trustee's claims will be further effectively subordinated to all existing and future claims of the lenders, holders of debt securities and other creditors, including trade creditors, of the Company's subsidiaries (other than the Issuer), from which the Company derives a majority of its operating income. In the event of an insolvency, bankruptcy, liquidation, reorganisation, dissolution or winding-up of the business of the Company or any of the Company's subsidiaries (other than the Issuer), the creditors of the Company or the creditors of the Company's subsidiaries, as the case may be, generally will have the right to be paid in full before any distribution is made to the Company, the Issuer and/or the Trustee.

Performance by the Company of its undertakings under the Keepwell Deed is subject to approvals of the PRC governmental authorities.

Performance by the Company of the Keepwell Deed is subject to the consent or approval from relevant PRC governmental authorities. Accordingly, even if the Company intends to perform its obligations under the Keepwell Deed, such performance may be subject to PRC government prior approval. As the approval process is beyond the control of the Company, there can be no assurance that the Company will successfully obtain either all or any of the requisite approvals in time. In the event that the Company fails to obtain the requisite approvals, the Issuer may still have insufficient funds to discharge its outstanding payment obligations to the holders of the Notes.

The Notes are unsecured obligations.

As the Notes are unsecured obligations, the repayment of the Notes may be compromised if:

(i) the Issuer enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings;

(ii) there is a default in payment under the future secured indebtedness or other unsecured indebtedness of the Issuer; or

(iii) there is an acceleration of any of the indebtedness of the Issuer.

If any of these events were to occur, the assets of the Issuer may not be sufficient to make payments to pay amounts due on the Notes.

The Issuer may not be able to repurchase the Notes upon a change of control.

At any time following the occurrence of a Change of Control (as defined in the Terms and Conditions of the Notes), the holder of any Note will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that Noteholder's Notes at a purchase price equal to 101 per cent. of the principal amount of the Notes together with any accrued interest. See "*Terms and Conditions of the Notes — Redemption for Change of Control*" for additional details. The source of funds for any such purchase would be available cash of the Group or third-party financing. However, the Issuer may not have enough available funds at the time of the occurrence of any Change of Control to make purchases of outstanding Notes. If an event constituting a Change of Control occurs at a time when the Issuer is prohibited from repurchasing the Notes, the Issuer may seek the consent of the lenders under such indebtedness to purchase the Notes or may attempt to refinance the borrowings that contain such prohibition. If such a consent to repay such borrowings is not obtained, the Issuer may be unable to repurchase the Notes. The Issuer's failure to make the offer to purchase or purchase the outstanding Notes would constitute an event of default under the Notes. The event of default may, in turn, constitute an event of default under other indebtedness, any of which could cause the related debt to be accelerated after any applicable notice or grace periods. If the Issuer's other debt were to be accelerated, it may not have sufficient funds to purchase the Notes and repay the debt.

Certain of the events constituting a Change of Control under the Notes may also constitute an event of default under certain of the Issuer's debt instruments, requiring repurchase of such debt or otherwise cancelling its lenders' commitments under such debt instruments. In addition, future debt of the Issuer may also (1) prohibit the Issuer from purchasing Notes in the event of a Change of Control; (2) provide that a Change of Control is a default; or (3) require repurchase of such debt upon a Change of Control. Moreover, the exercise by the Noteholders of their right to require the Issuer to purchase the Notes could cause a default under the Issuer's other indebtedness, even if the Change of Control itself does not, due to the financial effect of the purchase on the Issuer.

If the Issuer is unable to comply with the terms of the Trust Deed governing the Notes or its future debt agreements, there could be a default under those agreements, which could cause repayment of the debt of the Issuer to be accelerated.

If the Issuer is unable to comply with the terms in the Trust Deed governing the Notes or its future debt obligations and other agreements, there could be a default under those agreements. If that occurs, the holders of the debt could terminate their commitments to lend to the Issuer, accelerate repayment of the debt and declare all outstanding amounts due and payable or terminate the agreements, as the case may be. Furthermore, the Trust Deed governing the Notes contains, and the Issuer's future debt agreements are likely to contain, cross-acceleration or cross-default provisions. As a result, the Issuer's default under one debt agreement may cause the acceleration of repayment of not only such debt but also other obligations, including the Notes, or result in a default under its other debt agreements, including the Trust Deed governing the Notes. If any of these events occur, the Issuer's assets and cash flow might not be sufficient to repay in full all of its indebtedness and the Issuer might not be able to find alternative financing. Even if the Issuer could obtain alternative financing, it might not be on terms that are favourable or acceptable to it.

The Notes will initially be held in book-entry form, and therefore Noteholders must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.

The Notes will initially only be issued in global certificated form and held through Euroclear and Clearstream. Interests in the Global Certificate representing the Notes will trade in book- entry form only, and Notes in definitive registered form will be issued in exchange for book- entry interests only in very limited circumstances. Owners of book-entry interests will not be considered owners or holders of the Notes for purposes of the Trust Deed. A common depositary for Euroclear and Clearstream will be the sole registered holder of the Global Certificate. Accordingly, Noteholders must rely on the procedures of Euroclear or Clearstream, and if a Noteholder is not a participant in Euroclear or Clearstream, on the procedures of the participant through which the Noteholder owns its interest, to exercise any rights and obligations of a holder of the Notes under the Trust Deed. Upon the occurrence of an event of default under the Trust Deed, unless and until definitive registered Notes are issued in respect of all book-entry interests, if a Noteholder owns a book-entry interest, such Noteholder will be restricted to acting through Euroclear and Clearstream. The procedures to be implemented through Euroclear and Clearstream may not be adequate to ensure the timely exercise of rights under the Notes. See "*Summary of Provisions Relating to the Notes in Global Form*".

The SBLC Bank's ability to perform its obligations under the SBLC is subject to the financial conditions of BOC.

The SBLC Bank is not a separate and independent legal person but has capacity to carry on its activities within its scope of the authorisation given by BOC, and if the assets of the SBLC Bank are not sufficient to meet the obligations of the SBLC Bank under the SBLC, BOC would have an obligation to satisfy the balance of the obligations under the SBLC. Therefore, the ability of the SBLC Bank to make payments under the SBLC will depend on the financial condition of BOC, which could be materially and adversely affected by a number of factors, including, but not limited to, the following:

Impaired loans and advances: BOC's results of operations have been and will continue to be negatively affected by its impaired loans. If BOC is unable to effectively control and reduce the level of impaired loans and advances in its current loan portfolio and in new loans BOC extends in the future, or BOC's allowance for impairment losses on loans and advances is insufficient to cover actual loan losses, BOC's financial condition could be materially and adversely affected.

Collateral and guarantees: A substantial portion of BOC's loans is secured by collateral. In addition, a substantial portion of its PRC loans and advances is backed by guarantees. If BOC is unable to realise the collateral or guarantees securing its loans to cover the outstanding principal and interest balance of such loans due to various factors, BOC's financial condition could be materially and adversely affected.

Loans to the real estate sector and government financing platforms: BOC's loans and advances to the real estate sector primarily comprise loans issued to real estate companies and individual housing loans. The real estate market may be affected by many factors, including, without limitation, cyclical economic volatility and economic downturns. In addition, the PRC government has in recent years imposed macroeconomic control measures that are aimed at preventing the real estate market from overheating. Such factors may adversely affect the growth and quality of its loans to the real estate industry and, consequently, BOC's financial conditions and results of operations. Loans to government financing platforms are a part of the loan portfolio of BOC. The government revenues are primarily derived from taxes and land premiums. Therefore, economic cycles and fluctuations in the real estate market may also adversely affect the quality of such loans.

In addition, as neither BOC nor the SBLC Bank has waived sovereign immunity for the purpose of the SBLC, it is possible that such immunity is asserted at the time of enforcement of the SBLC.

The SBLC is subject to a maximum limit and may not be sufficient to satisfy all payments due under the SBLC.

Payments of principal and interest in respect of the Notes and the fees and expenses and other amounts in connection with the Notes and the Trust Deed will have the benefit of the SBLC up to a maximum limit of U.S.$329,125,000, being an amount representing the aggregate principal amount of the Notes being U.S.$300,000,000, plus interest and premium (if any) payable in accordance with Condition 5, plus an additional amount intended to cover fees, expenses and any other amounts payable by the Issuer in connection with the Notes or the Trust Deed. There can be no assurance that such maximum limit is sufficient to fully satisfy the aforementioned payments.

The SBLC expires one month after the Maturity Date.

The SBLC will expire after 5:00 p.m. (Beijing Time) on 14 August 2025. In the event that the Trustee does not enforce the SBLC by this expiration time, the Noteholders and the Trustee will not be able to benefit from the credit protection provided by the SBLC Bank. Furthermore, in the event that any payment from the Issuer to the Trustee is avoided by virtue of any laws relating to bankruptcy, insolvency, liquidation or similar laws of general application for the time being in force and a written notice claiming such avoided payment under the SBLC was not given to the SBLC Bank on or before the expiry time of the SBLC, the Noteholders and the Trustee will not be able to recover such avoided payment from the SBLC Bank under the SBLC.

Investors in the Notes may be subject to foreign exchange risks.

The Notes are denominated and payable in U.S. dollars. An investor who measures investment returns by reference to a currency other than U.S. dollars would be subject to foreign exchange risks by virtue of an investment in the Notes, due to, among other things, economic, political and other factors over which the Group has no control. Depreciation of the U.S. dollar against such currency could cause a decrease in the effective yield of the Notes below their stated coupon rates and could result in a loss when the return on the Notes is translated into such currency. In addition, there may be tax consequences for investors as a result of any foreign currency gains resulting from any investment in the Notes.

International financial markets and world economic conditions may adversely affect the market price of the Notes.

Developments in other markets may adversely affect the market price of the Notes. The market price of the Notes may be adversely affected by declines in the international financial markets and world economic conditions. The market for the Notes is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including China. Since the sub-prime mortgage crisis in 2008, the international financial markets have experienced significant volatility. If similar developments occur in the international financial markets in the future, the market price of the Notes could be adversely affected.

The Issuer may be treated as a PRC resident enterprise for PRC tax purposes, which may subject the Issuer to PRC income taxes on its worldwide income and interest payable by the Issuer to foreign investors and gain on the sale of the Notes may be subject to withholding taxes under PRC tax law.

Under the EIT Law effective on 1 January 2008 and amended on 24 February 2017 and 29 December 2018, and the implementation rules, effective since 1 January 2018 and amended on 23 April 2019, enterprises established outside the PRC whose "de facto management bodies" are located in China are considered "resident enterprises" for PRC tax purposes.

The implementation rules define the term "de facto management body" as a management body that exercises full and substantial control and management over the business, personnel, accounts and properties of an enterprise.

A circular issued by the State Administration of Taxation on 22 April 2009 ("**Circular 82**") provides that a foreign enterprise controlled by a PRC company or a PRC company group will be treated as a "resident enterprise" with a "de facto management body" located within China and shall be subject to the corresponding tax administration and pay the enterprise income tax on its incomes derived from both within and outside China if all of the following requirements are satisfied at the same time: (i) the senior management and core management departments in charge of daily operations are located mainly within China; (ii) financial and human resources decisions are subject to determination or approval by persons or bodies in China; (iii) major assets, accounting books, company seals and minutes and files of board and shareholders' meetings are located or kept within China; and (iv) at least half of the enterprise's directors with voting rights or senior management reside within China. On 27 July 2011, the State Administration of Taxation issued Provisional Administrative Regulations of Enterprise Income Taxation of a Foreign Enterprise Controlled by a PRC Enterprise or a PRC Enterprise Group ("**Circular 45**"), to further prescribe the rules concerning the recognition, administration and taxation of a foreign enterprise "controlled by a PRC enterprise or PRC enterprise group". Circular 45 provides two ways for a foreign enterprise "controlled by a PRC enterprise or a PRC enterprise group" to be treated as a resident enterprise. First, the foreign enterprise may decide on its own whether its de facto management body is located in China based on the criteria set forth in Circular 82, and, if it makes such determination, it shall apply to the competent tax bureau to be treated as a resident enterprise. Second, the tax authority may determine that the foreign enterprise is a resident enterprise after its active investigation.

To date, the Issuer has not been notified by the competent tax bureau that it is a PRC resident enterprise. If the Issuer is deemed to be a PRC resident enterprise for EIT purposes, the Issuer would be subject to the PRC enterprise income tax at the rate of 25 per cent. on its worldwide taxable income. Furthermore, the Issuer may be obligated to withhold PRC income tax of up to 7 per cent. on payments of interest and certain other amounts on the Notes to investors that are Hong Kong resident enterprises or 10 per cent. on payments of interest and other amounts on the Notes to investors that are not Hong Kong resident enterprises, provided that there are no tax treaties between China and those countries which exempt or reduce such withholding tax, because the interest and other amounts may be regarded as being derived from sources within the PRC. In addition, if the Issuer fails to do so, it may be subject to fines and other penalties. Similarly, any gain realised by such non-resident enterprise investors from the transfer of the Notes may be regarded as being derived from sources within the PRC and may accordingly be subject to a 10 per cent. PRC withholding tax provided that there are no tax treaties between China and those countries which exempt or reduce such withholding tax.

If the Issuer is required under the EIT Law to withhold PRC income tax from interest payments made to the Issuer's foreign investors who are "non-resident enterprises", the Issuer will be required to pay such additional amounts as will result in receipt by a holder of the Notes of such amounts as would have been received by the holder had no such withholding been required. The requirement to pay additional amounts will increase the cost of servicing interest payments on the Notes, and could have a material adverse effect on its ability to pay interest on, and repay the principal amount of, the Notes, as well as its profitability and cash flow. In addition, if Noteholders are required to pay PRC income tax on the transfer of the Notes, the value of investments in the Notes may be materially and adversely affected. It is unclear whether, if the Issuer is considered a PRC "resident enterprise", holders of the Notes might be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas.

The Issuer may be able to redeem the Notes in whole at a redemption price equal to the principal amount plus accrued and unpaid interest in the event the Issuer is required to pay additional amounts because it is treated as a PRC "resident enterprise".

In the event that the Issuer is treated as a PRC "resident enterprise" under the EIT Law, it may be required to withhold PRC income tax on interest payable to certain of its non-resident investors. In such case, the Issuer will, subject to certain exceptions, be required to pay such additional amounts as will result in receipt by a holder of a Note of such amounts as have been received by the holder had no such withholding been required. As set out in Condition 6.2 *(Redemption for Taxation Reasons)* of the Terms and Conditions of the Notes, in the event that as a result of a change in PRC tax law such that such PRC deduction or withholding is in excess of the Applicable Rate (as defined in the Terms and Conditions of the Notes), and the Issuer is required to pay additional amounts as a result of certain changes in, or interpretations of, tax law, including any change or interpretation that results in the Issuer being required to withhold tax on interest payments as a result of its being treated as a PRC "resident enterprise", the Issuer may redeem the Notes in whole, but not in part, at the principal amount, together with interest accrued to (but not including) the date fixed for redemption but unpaid.

Additional procedures may be required to be taken to hear English law governed matters in the Hong Kong courts. There is also no assurance that the PRC courts will recognise and enforce judgements of the Hong Kong courts in respect of English law matters.

The Terms and Conditions of the Notes are governed by English law, whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. In order to hear English law governed matters, Hong Kong courts may require certain additional procedures to be taken. Under the "Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned" (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》), judgements of Hong Kong courts are likely to be recognised and enforced by the PRC courts where the contracting parties to the transactions pertaining to such judgements have agreed to submit to the exclusive jurisdiction of Hong Kong courts. However, recognition and enforcement of a Hong Kong court judgement could be refused if the PRC courts consider that the enforcement of such judgement is contrary to the social and public interest of the PRC. While it is expected that the PRC courts will recognise and enforce a judgement given by Hong Kong courts governed by English law, there can be no assurance that the PRC courts will do so for all such judgements as there is no established practice in this area. As compared to other similar debt securities issuances in the international capital market where the relevant securityholders would not typically be required to submit to an exclusive jurisdiction, the Noteholders will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts, and thus the Noteholders' ability to initiate a claim outside of Hong Kong will be limited.

The insolvency laws of the British Virgin Islands may differ from those of another jurisdiction with which the Noteholders are familiar.

As the Issuer is incorporated under the laws of the British Virgin Islands, any insolvency proceeding relating to the Issuer, even if brought in other jurisdictions, would likely involve insolvency laws of the British Virgin Islands, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the Noteholders are familiar.

The Company's consolidated financial statements were prepared in accordance with PRC GAAP which may be different from IFRS.

The Company's audited consolidated financial statements as at and for the years ended 31 December 2018 and 2019 were prepared in accordance with PRC GAAP issued by the Ministry of Finance of the PRC on 15 February 2006, and the Application Guidance for Accounting Standards for Business Enterprises, Interpretation of PRC GAAP and other relevant regulations issued thereafter. Although PRC GAAP are substantively in line with IFRS, PRC GAAP are, to a certain extent, different from IFRS. See "*Description of Certain Differences between PRC GAAP and IFRS*". The Company has not prepared a reconciliation of its consolidated financial information and its consolidated financial statements and related footnotes between PRC GAAP and other GAAPs. There is no guarantee that PRC GAAP will fully converge with IFRS or that there will be no additional differences between the two accounting standards in the future. In making an investment decision, investors must rely upon their own examination of the Group, the terms of the offering and the financial information of the Company. Investors should consult their own professional advisers for an understanding of any differences between PRC GAAP and any other GAAPs and how those differences might affect the financial information contained in this Offering Circular.

A change in English law which governs the Notes may adversely affect holders of the Notes.

The Conditions are governed by English law. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the Notes.

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes substantially in the form in which they (other than the text in italics) will be endorsed on the definitive notes and referred to in the Global Certificate.

The issue of the U.S.$300,000,000 1.875 per cent. Credit Enhanced Notes due 2025 (the **Notes**, which expression includes, unless the context requires otherwise, any further notes issued pursuant to Condition 15 and consolidated and forming a single series therewith) was authorised by resolutions of the sole director of TCL Technology Investments Limited (the **Issuer**) dated 24 June 2020. The Notes are constituted by a Trust Deed (the **Trust Deed**) dated 14 July 2020 (the **Issue Date**) between the Issuer, TCL Technology Group Corporation (TCL科技集團股份有限公司) (the **Company**) and Bank of China (Hong Kong) Trustees Limited (the **Trustee**, which expression shall include all persons for the time being as the trustee or trustees under the Trust Deed, and shall include its successors or assigns) as trustee for itself and the holders of the Notes. The Notes are the subject of an Agency Agreement (the **Agency Agreement**) dated on the Issue Date relating to the Notes between the Issuer, the Company, the Trustee and Bank of China (Hong Kong) Limited as registrar (the **Registrar**), as transfer agent (the **Transfer Agent**), as initial principal paying agent (the **Principal Paying Agent**), other agents named therein, Bank of China (Hong Kong) Limited as the account bank (the **Pre-funding Account Bank**) where the Pre-funding Account (as defined below) is held and as the account bank (the **LC Proceeds Account Bank**) where the LC Proceeds Account (as defined below) is held. References herein to **Agents** means the Principal Paying Agent, the Registrar, the Transfer Agent and any other agent or agents appointed from time to time pursuant to the Agency Agreement with respect to the Notes. The Notes have the benefit of a keepwell deed (the **Keepwell Deed**) dated on the Issue Date executed by the Issuer, the Company, and the Trustee in favour of the Trustee, in its capacity as trustee for the holders of the Notes, and an irrevocable standby letter of credit (the **SBLC**) dated on the Issue Date issued by Bank of China Limited, Guangdong Branch (the **SBLC Bank**). The entry into of the Keepwell Deed was authorised by resolutions of the sole director of the Issuer on 24 June 2020 and the resolutions of the board of directors of the Company on 12 June 2019 and 28 May 2020 and the resolutions of the shareholders of the Company on 28 June 2019 and 15 June 2020. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and of those provisions of the Agency Agreement, the Keepwell Deed and the SBLC applicable to them. Copies of the Trust Deed, the Agency Agreement, the Keepwell Deed and the SBLC are available from the specified office for the time being of the Principal Paying Agent. These terms and conditions (these **Conditions**) include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Notes.

All capitalised terms that are not defined in these Conditions will have the meanings given to them in the Trust Deed.

1. FORM, DENOMINATION AND TITLE

The Notes are issued in the specified denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

The Notes are represented by registered certificates (**Certificates**) which shall be numbered serially and, save as provided in Condition 2.1, each Certificate shall represent the entire holding of Notes by the same holder.

Title to the Notes shall pass by registration in the register of Noteholders that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the **Register**). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on the Certificate representing it (other than the endorsed form of transfer) or the theft or loss of such Certificate, and no person shall be liable for so treating the holder.

In these Conditions, **Noteholder** and **holder** (in relation to a Note) means the person in whose name a Note is registered in the Register (or in the case of a joint holding, the first named thereof).

Upon issue, the Notes will be represented by a global certificate (the **Global Certificate***) registered in the name of a nominee of, and deposited with, a common depositary for Euroclear Bank SA/NV and Clearstream Banking, S.A. These conditions are modified by certain provisions contained in the Global Certificate.*

Except in the limited circumstances described in the Global Certificate, owners of interests in Notes represented by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of Notes. The Notes are not issuable in bearer form.

2. TRANSFERS OF NOTES AND ISSUE OF CERTIFICATES

2.1 Transfer

A Note may, subject to the Agency Agreement and Condition 2.4, be transferred in whole or in part upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate(s) representing such Notes to be transferred, together with the form of transfer endorsed on such Certificate(s) (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of

Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Notes to a person who is already a holder of Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. All transfers of Notes and entries on the Register will be made in accordance with the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. No transfer of title to a Note will be valid unless and until entered on the Register. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee, or by the Registrar with the prior written approval of the Trustee. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request (free of charge to the Noteholder at the Issuer's expense).

Transfers of interests in the Notes evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems.

2.2 Delivery of New Certificates

Each new Certificate to be issued pursuant to Condition 2.1 shall be available for delivery within three business days of receipt by the Registrar or, as the case may be, any Transfer Agent, of a duly completed and signed form of transfer and surrender of the existing Certificate(s). The form of transfer is available at the specified offices of each Transfer Agent. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2.2, **business day** means a day, other than a Saturday, Sunday or public holiday, on which commercial banks are generally open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

2.3 Transfer Free of Charge

Certificates, on transfer of Notes, shall be issued and registered without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon (i) payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security and/or pre-funding as the Registrar or the relevant Transfer Agent may require); (ii) the Registrar or the relevant Transfer Agent being satisfied in its absolute discretion with the documents of title or identity of the person making the application and (iii) the relevant Agent (after consultation with the Issuer if so required) being satisfied that the Regulations concerning transfer of the Notes have been complied with.

2.4 Closed Periods

No Noteholder may require the transfer of a Note to be registered (i) during the period of 15 days ending on (and including) the due date for any payment of principal in respect of that Note or redemption of that Note; (ii) during the period of seven days ending on (and including) any Record Date; and (iii) after the exercise of the put option in Condition 6.3.

3. STATUS, SBLC AND PRE-FUNDING

3.1 Status of the Notes

The Notes constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes shall, save for such exceptions as may be provided by applicable law, at all times rank at least equally with all the Issuer's other present and future unsecured and unsubordinated obligations.

3.2 SBLC

The Notes will have the benefit of the SBLC issued in favour of the Trustee, on behalf of itself and the holders of the Notes, by the SBLC Bank. The SBLC shall be drawable by the Trustee as beneficiary under the SBLC on behalf of itself and the holders of the Notes upon the presentation of a demand by authenticated SWIFT (or such other means of communication as the Trustee may in its discretion agree with the SBLC Bank) sent by the Trustee or on behalf of the Trustee to the SBLC Bank in accordance with the SBLC (a **Demand**) stating that (i) the Issuer has failed to comply with Condition 3.3 in relation to pre-funding an amount that is required to be pre-funded under these Conditions and/or has failed to provide the Required Confirmations in accordance with Condition 3.3 or (ii) an Event of Default (as defined in Condition 9) has occurred and the Trustee has given notice to the Issuer in accordance with the Conditions that the Notes are immediately due and payable in accordance with Condition 9 or (iii) the Issuer has failed to pay the fees and expenses it is obliged to pay under the Conditions or the Trust Deed when due and such failure has continued for a period of seven days from the date of the Trustee delivering its demand therefor to the Issuer in accordance with the Conditions.

Each drawing on the SBLC will be payable in U.S. dollars to or to the order of the Trustee at the time and to the account specified in the Demand presented to the SBLC Bank. Payment received by the Trustee in respect of a Demand will be deposited into the LC Proceeds Account.

Every payment made under the SBLC in respect of any amount payable under these Conditions or in connection with the Notes and/or the Trust Deed shall, to the extent of the drawing paid to or to the order of the Trustee, satisfy the obligations of the Issuer in respect of such amount payable under these Conditions or in connection with the Notes and/or the Trust Deed.

The SBLC Bank's liability under the SBLC shall be expressed and payable in U.S. dollars and shall not exceed U.S.$329,125,000 in aggregate. The SBLC expires at 5:00 p.m. (Beijing time) on 14 August 2025.

3.3 Pre-funding

In order to provide for the payment of any amount in respect of the Notes (the **Relevant Amount**) as the same shall become due, the Issuer shall, in accordance with the Agency Agreement, by no later than the Business Day (the **Pre-funding Date**) falling ten Business Days prior to the due date for such payment under these Conditions:

(a) unconditionally pay or procure to be paid the Relevant Amount into the Pre-funding Account; and

(b) deliver to the Trustee and the Principal Paying Agent by facsimile (x) a Payment and Solvency Certificate signed by any Authorised Signatory of the Issuer, and (y) a copy of the irrevocable payment instruction from the Issuer to the Pre-funding Account Bank requesting the Pre-funding Account Bank to pay the Relevant Amount which was paid into the Pre-funding Account on the Pre-funding Date in full to the Principal Paying Agent by no later than 10:00 a.m. (Hong Kong time) on the Business Day immediately preceding the due date for such payment (together, the **Required Confirmations**).

The Pre-funding Account Bank shall notify the Trustee forthwith upon any failure by the Issuer to pay the Relevant Amount into the Pre-funding Account in accordance with the Conditions. If the Relevant Amount has not been paid into the Pre-funding Account in full, or the Trustee does not receive the Required Confirmations, in each case by 10:00 a.m. (Hong Kong time) on the Business Day immediately following the Pre-funding Date (a **Pre-funding Failure**), the Trustee shall

(1) as soon as reasonably practicable notify the SBLC Bank and the LC Proceeds Account Bank by authenticated SWIFT (or such other means of communication as the Trustee may in its discretion agree with the SBLC Bank and the LC Proceeds Account Bank) of the occurrence of the Pre-funding Failure; and

(2) by no later than 5:00 p.m. (Beijing time) on the second Business Day following the Pre-funding Date, issue a Demand to the SBLC Bank for the Relevant Amount (or if the Issuer has unconditionally paid or procured to be paid into the Pre-funding Account an

amount less than the full amount of the Relevant Amount and the Trustee has received Required Confirmations in respect of such lesser amount, an amount representing the difference between the full amount of the Relevant Amount and the amount received in the Pre-funding Account) in accordance with the SBLC, provided that, in accordance with the terms of the SBLC the Trustee need not physically present an original of the Demand to the SBLC Bank and shall be entitled to draw on the SBLC by way of a Demand by authenticated SWIFT presented by or on its behalf through Bank of China (Hong Kong) Limited.

After receipt by the SBLC Bank of such Demand, the SBLC Bank shall by 11:00 a.m. (Beijing time) on the fourth Business Day immediately following receipt of such Demand (if a Demand is received before 5:00 p.m. (Beijing time) on the second Business Day following the Pre-funding Date), or by 11:00 a.m. (Beijing time) on the fifth Business Day (if a Demand is received after 5:00 p.m. (Beijing time) on the second Business Day following the Pre-funding Date), pay to or to the order of the Trustee the amount in U.S. dollars specified in the Demand to the LC Proceeds Account.

For the purposes of these Conditions:

Authorised Signatory has the meaning given to it in the Trust Deed;

Business Day means a day (other than a Saturday or a Sunday or a public holiday) on which banks and foreign exchange markets are open for business in Beijing, New York and Hong Kong;

LC Proceeds Account means a non-interest bearing US dollar account established in the name of the Trustee with the LC Proceeds Account Bank;

Payment and Solvency Certificate means a certificate in substantially the form set forth in the Agency Agreement stating the Relevant Amount in respect of the relevant due date in respect of the Notes and confirming that (a) a payment for the Relevant Amount has been made by the Issuer to the Pre-funding Account in accordance with Condition 3.3 and (b) the Issuer is solvent; and

Pre-funding Account means a non-interest bearing U.S. dollar account established in the name of the Issuer with the Pre-funding Account Bank.

4. COVENANTS

4.1 Undertakings relating to NDRC

The Company undertakes to (i) file or cause to be filed with the National Development and Reform Commission of the PRC or its local counterparts (the **NDRC**) the requisite information and documents within ten PRC Business Days after the Issue Date (or with respect to any further issue pursuant to Condition 15, the issue date of such further issue) in accordance with the Circular on Promoting the Reform of the Filing and Registration System on the Issuance by Enterprises of Foreign Debt (國家發展改革委關于推進企業發行外債備案登記制管理改革的通(發改外資 [2015]2044號)) issued by the NDRC and which came into effect on 14 September 2015, and any implementation rules as issued by the NDRC from time to time (the **NDRC Post-issue Filing**) and (ii) comply with all applicable PRC laws, rules and regulations in connection with the Notes (including, but not limited to, any rules issued by the NDRC from time to time).

The Company shall (i) within five PRC Business Days after submission of such NDRC Post-issue Filing, provide the Trustee with (i) a certificate in English substantially in the form scheduled to the Trust Deed signed by an Authorised Signatory (as defined in the Trust Deed) of the Company confirming the submission of the NDRC Post-issue Filing, together with (ii) copies of the relevant document(s) evidencing due filing with the NDRC (if any) (the items specified in (i) and (ii) together, the **Registration Documents**) and (iii) within five PRC Business Days after provision of the documents comprising the Registration Documents to the Trustee, instruct the Principal Paying Agent to publish the notice to the Noteholders substantially in the form scheduled to the Trust Deed to the Noteholders (in accordance with Condition 16) confirming the submission of the NDRC Post-issue Filing.

The Trustee shall have no obligation to monitor or ensure the filing or completion of the NDRC Post-issue Filing is made on or before the deadline referred to above or as otherwise required by this Condition 4.1 or to assist with the NDRC Post-issue Filing or to verify the accuracy, validity and/or genuineness of any Registration Documents or any other certificate, confirmation or other document in relation to or in connection with the NDRC Post-issue Filing or to give notice to the Noteholders confirming the submission of the NDRC Post-issue Filing, and the Trustee shall not be liable to the Noteholders or any other person for not doing so.

4.2 Provision of Information

So long as any Note remains outstanding,

(a) The Issuer and the Company shall each furnish the Trustee with a Compliance Certificate (on which the Trustee may rely as to such compliance) and the Company shall furnish to the Trustee a copy of the relevant Company Audited Financial Reports within 150 days of the end of each Relevant Period prepared in accordance with accounting principles generally applicable to enterprises established in the PRC (audited by a nationally or an internationally recognised firm of independent accountants) and if such statements shall be in the Chinese language, together with an English translation of the same translated by (a) a nationally or an internationally recognised firm of accountants or (b) a professional translation service provider and checked by a nationally or an internationally recognised firm of accountants, together with a certificate in English signed by an Authorised Signatory of the Company certifying that such translation is complete and accurate; and

(b) the Company shall furnish the Trustee with a copy of the Company Semi-Annual Unaudited Financial Reports within 90 days of the end of each Relevant Period prepared on a basis consistent with audited consolidated financial statements and if such statements shall be in the Chinese language, together with an English translation of the same and translated by (a) a nationally or an internationally recognised firm of accountants or (b) a professional translation service provider and checked by a nationally or an internationally recognised firm of accountants, together with a certificate in English signed by an Authorised Signatory of the Company certifying that such translation is complete and accurate.

4.3 Ratings

Each of the Issuer and the Company undertakes, *inter alia*, that so long as any Note remains outstanding, save with the approval of an Extraordinary Resolution, the Issuer will, and the Company will procure the Issuer to, use best efforts to maintain a rating on the Notes by any of the Rating Agencies.

4.4 Limitation of Activities

So long as any of the Notes remains outstanding, under the Keepwell Deed:

(a) the Issuer shall not carry on any business activity whatsoever other than the activities in connection with raising debt financing for the Group outside of the PRC, including through the issue of the Notes (such activities in connection with raising debt financing for the Group shall, for the avoidance of doubt, include the on-lending of the proceeds of such debt financing to the Company or the Company's Subsidiaries or affiliates (each a **Relevant Affiliate**), and to cause each such Relevant Affiliate to pay the interest and principal in respect of such intercompany loan(s) on time); and

(b) the Issuer shall not hold any equity interest, capital stock or shares in any entity.

4.5 Interpretation

In these Conditions:

(a) **Approval Authorities** means any supranational, national, state, municipal, provincial or local government (including any subdivision, court, administrative agency or commission or other authority thereof) or any quasi-governmental or private body exercising any regulatory, taxing, importing or other governmental or quasi-governmental authority whose licences, authorisations, registrations or other approvals are necessary for undertaking the relevant transactions;

(b) **Company Audited Financial Reports** means annual audited consolidated financial statements of the Company, which comprise the consolidated balance sheet, the consolidated income statement, the consolidated cashflow statement, the consolidated statements of change in owners' equity of the Company together with any auditors' reports and any notes to the financial statements;

(c) **Company Semi-Annual Unaudited Financial Reports** means semi-annual unaudited consolidated financial statements of the Company, which comprise the consolidated balance sheet, the consolidated income statement, the consolidated cashflow statement and the consolidated statements of change in owners' equity of the Company;

(d) **Compliance Certificate** means a certificate of each of the Issuer and the Company (in the form or substantially in the form set out in Schedule 6 of the Trust Deed) signed by any one of their respective Authorised Signatories that, having made all reasonable enquiries, to the best of the knowledge, information and belief of the Issuer or the Company (as the case may be), as at a date (the **Certification Date**) not more than five days before the date of the certificate:

(i) no Event of Default or Potential Event of Default had occurred since the Certification Date of the last such certificate or (if none) the date of the Trust Deed or, if such an event had occurred, giving details of it; and

(ii) Company or the Issuer (as the case may be) has complied with all its obligations under the Trust Deed and the Notes; and

(e) **Group** means the Company and the Company's subsidiaries taken as a whole;

(f) **PRC** means the People's Republic of China excluding the Special Administrative Regions of Hong Kong and Macau and the region of Taiwan;

(g) **PRC Business Day** means a day (other than a Saturday or Sunday or a public holiday) on which commercial banks are open for business in the PRC;

(h) **Rating Agencies** means (i) Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. (**S&P**), Moody's Investors Service, Inc. (**Moody's**) and Fitch Ratings Ltd. (**Fitch**) and their respective successors; or (ii) if none of S&P, Moody's and Fitch shall make a rating of the Notes publicly available, the Issuer shall select any other reputable credit rating agency of international standing;

(i) **Relevant Period** means, in relation to the Company Audited Financial Reports, each period of twelve months ending on the last day of the financial year (being 31 December of that financial year) and in relation to the Company Semi-Annual Unaudited Financial Report (as the case may be), each period of six months ending on the last day of the first half financial year (being 30 June of that financial year); and

(j) **Subsidiary** of any person means (a) any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity, or (b) any company or other business entity which at any time has its accounts consolidated with those of that person or which, under the law, regulations or generally accepted accounting principles of the jurisdiction of incorporation of such person from time to time, should have its accounts consolidated with those of that person.

5. INTEREST

The Notes bear interest on their outstanding principal amount from and including 14 July 2020 at the rate of 1.875 per cent. per annum, payable semi-annually in arrear in equal instalments of U.S.$9.375 per Calculation Amount (as defined below) on 14 January and 14 July in each year (each an **Interest Payment Date**) commencing 14 January 2021. Each Note will cease to bear interest from the due date for redemption unless, upon surrender of the Certificate representing such Note, payment of principal is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant holder, and (b) the day falling seven days after the Trustee or the Principal Paying Agent has notified Noteholders of receipt of all sums due in respect of all the Notes up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

If interest is required to be calculated for a period of less than a complete Interest Period (as defined below), the relevant day-count fraction will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

In these Conditions, the period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an **Interest Period**.

Interest in respect of any Note shall be calculated per U.S.$1,000 in principal amount of the Notes (the **Calculation Amount**). The amount of interest payable per Calculation Amount for any period shall, save as provided above in relation to equal instalments, be equal to the product of the rate of interest specified above, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

6. REDEMPTION AND PURCHASE

6.1 Final Redemption

Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on 14 July 2025. The Notes may not be redeemed at the option of the Issuer other than in accordance with this Condition 6.

6.2 Redemption for Taxation Reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their principal amount, together with accrued interest to (but not including) the date fixed for redemption but unpaid, if:

(a) the Issuer satisfies the Trustee immediately prior to the giving of such notice that it has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands, Hong Kong or the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 7 July 2020; and

(b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Tax Amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition 6.2, the Issuer shall deliver to the Trustee (i) a certificate signed by an Authorised Signatory of the Issuer stating that the obligation referred to in subparagraph (a) above cannot be avoided by the Issuer taking reasonable measures available to it and (ii) an opinion, in form and substance satisfactory to the Trustee, of independent tax or legal advisers of recognized standing to the effect that the Issuer has or will become obliged to pay such Additional Tax Amounts as a result of such change or amendments and opinion. The Trustee shall be entitled (but not obliged) to, and without liability to any person for doing so, accept and rely on such certificate and opinion as sufficient evidence of the satisfaction of the condition precedent set out in subparagraph (a) and (b) above, in which event they shall be conclusive and binding on the Noteholders.

Neither the Trustee nor any of the Agents shall be responsible for calculating or verifying the calculations of any amount payable under any notice of redemption and shall not be liable to any Noteholders or any other Person for not doing so.

6.3 Redemption for Change of Control

At any time following the occurrence of a Change of Control, the holder of any Note will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that holder's Notes on the Put Settlement Date (as defined herein) at their principal amount, together with accrued interest up to but excluding such Put Settlement Date. To exercise such right, the holder of the relevant Note must deposit at the specified office of the Principal Paying Agent or any Transfer Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of the Principal Paying Agent or any Transfer Agent (a **Put Exercise Notice**), together with the Certificate evidencing the Notes to be redeemed by not later than 30 days following a Change of Control, or, if later, 30 days following the date upon which notice thereof is given to the Noteholders by the Issuer in accordance with Condition 16.

The **Put Settlement Date** shall be the fourteenth day or, if such day is not a business day, the next following business day after the expiry of such period of 30 days as referred to above. A Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Notes the subject of the Put Exercise Notices delivered as aforesaid on the Put Settlement Date.

The Issuer shall give notice to Noteholders in accordance with Condition 16 and to the Trustee, the Transfer Agent and the Principal Paying Agent by not later than 14 days following the first day on which it becomes aware of the occurrence of a Change of Control, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Notes pursuant to this Condition 6.3.

The Trustee and the Agents shall not be required to take any steps to ascertain whether a Change of Control or any event which could lead to the occurrence of a Change of Control has occurred and shall not be responsible or liable to the Noteholders, the Issuer, the Company or any other person for any loss arising from any failure to do so.

In this Condition 6.3:

a **business day** means a day other than a Saturday or Sunday on which banks and foreign exchange markets are open for business in the place in which the specified office of the Registrar is located and in New York City, Hong Kong and the PRC;

a **Change of Control** occurs when:

(a) Mr. Li Dongsheng and/or his Related Persons together with any voting rights controlled directly or indirectly by Mr. Li Dongsheng and/or his Related Persons, including through any voting consent agreement, cease(s) to be the single largest group of holders, directly or indirectly, of the voting rights of the Company;

(b) the Company consolidates with or merges into or sells or transfers all or substantially all of the Company's assets to any other Person or Persons, acting together; or

(c) the Company ceases to, directly or indirectly, hold 100 per cent. of the issued share capital of the Issuer;

Person includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity) but does not include the Company's Subsidiaries;

Related Person means with respect to any shareholder (i) any trusts established for the benefit of such shareholders and/or their immediate family members and/or siblings, (ii) any of their executors and/or beneficiaries of their estate, (iii) any companies in which they control, directly or indirectly, 50.0 per cent. or more of the voting rights or have the ability to appoint and/or remove a majority of the members of the board of directors or other governing body, (iv) their extended family members, or (v) any person acting in concert with such shareholder.

6.4 Notices of redemption

If there is more than one notice of redemption given in respect of any Note (which shall include any notice given by the Issuer pursuant to Condition 6.2 and any Put Exercise Notice given by a Noteholder pursuant to Condition 6.3), the notice given first in time shall prevail and in the event of two notices being given on the same date, the first to be given shall prevail.

6.5 Notice of redemption

All Notes in respect of which any notice of redemption is given under Condition 6.2 shall be redeemed on the date specified in such notice in accordance with this Condition 6.

6.6 Purchase

The Issuer, the Company and each of their respective Subsidiaries may at any time purchase Notes in the open market or otherwise at any price. The Notes so purchased, while held by or on behalf of the Issuer, the Company or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for, among other things, the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Conditions 9, 12.1 or 13.

6.7 Cancellation

All Certificates representing Notes purchased by or on behalf of the Issuer, the Company or any of their respective Subsidiaries shall be surrendered for cancellation to the Registrar and, upon surrender thereof, all such Notes shall be cancelled forthwith. Any Certificates so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

7. PAYMENTS

7.1 Method of Payment

(a) Payments of principal and premium (if any) shall be made (subject to surrender of the relevant Certificates at the specified office of any Transfer Agent or of the Registrar if no further payment falls to be made in respect of the Notes represented by such Certificates) by transfer to the registered account of the Noteholder.

(b) Interest on each Note shall be paid to the person shown on the Register at the close of business on the fifth Payment Business Day before the due date for payment thereof (the **Record Date**). Payments of interest on each Note shall be made by transfer to a U.S. dollar account maintained by the payee with a bank, details of which appear on the Register at the close of business on the Payment Business Day before the due date for payment.

So long as the Notes are represented by the Global Certificate, each payment in respect of the Global Certificate will be made to the person shown as the holder of the Notes in the Register at the close of business (of the relevant clearing system) on the Clearing

System Business Day before the due date for such payments, where "**Clearing System Business Day**" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.

(c) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested in writing by the Issuer or a Noteholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of premium (if any) or interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of premium (if any) or interest so paid.

7.2 Payments subject to Fiscal Laws

All payments are subject in all cases to (i) any applicable fiscal or other laws, regulations and directives in the place of payment but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Noteholders in respect of such payments.

7.3 Payment Initiation

Where payment is to be made by transfer to a U.S. dollar account, payment instructions (for value on the due date or, if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated on the due date for payment (or, if that date is not a Payment Business Day, on the first following day which is a Payment Business Day), or, in the case of payments of principal and premium (if any) where the relevant Certificate has not been surrendered at the specified office of any Transfer Agent or of the Registrar, on the first Payment Business Day on which the Principal Paying Agent is open for business and on or following which the relevant Certificate is surrendered.

7.4 Appointment of Agents

The Principal Paying Agent, the Registrar and the Transfer Agent initially appointed by the Issuer and their respective specified offices are listed below. The Principal Paying Agent, the Registrar and the Transfer Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder. The Issuer reserves the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of the Principal Paying Agent, the Registrar or any Transfer Agent and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar with a specified office outside the United Kingdom, (iii) a Transfer Agent, and (iv) such other agents as may be required by any stock exchange on which the Notes may be listed, in each case, as approved in writing by the Trustee.

Notice of any such change or any change of any specified office of any Agent shall promptly be given by the Issuer to the Noteholders in accordance with Condition 14.

7.5 Delay in Payment

Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Note if the due date is not a Payment Business Day, or if the Noteholder is late in surrendering or cannot surrender its Certificate (if required to do so).

7.6 Non-Payment Business Days

If any date for payment in respect of any Note is not a Payment Business Day, the holder shall not be entitled to payment until the following Payment Business Day nor to any interest or other sum in respect of such postponed payment.

In this Condition 7, **Payment Business Day** means a day (other than a Saturday, a Sunday or public holiday) on which commercial banks and foreign exchange markets are open for business and settlement of U.S. dollar payments in New York City and the place in which the specified office of the Principal Paying Agent and the Registrar is located and, if surrender of the relevant Certificate is required, in the place in which the Certificate is surrendered.

8. TAXATION

All payments of principal, premium (if any) and interest by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands, Hong Kong or the PRC or any political subdivision or authority therein or thereof having power to tax, unless such withholding or deduction is required by law.

Where such withholding or deduction is made by the Issuer by or within the PRC at the rate of up to and including the aggregate rate applicable on 7 July 2020 (the **Applicable Rate**), the Issuer will increase the amounts paid by it to the extent required, so that the net amount received by Noteholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

In the event that any such PRC deduction or withholding in excess of the Applicable Rate or any British Virgin Islands or Hong Kong deduction or withholding is required, the Issuer shall pay such additional amounts (**Additional Tax Amounts**) as will result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts shall be payable in respect of any Note:

(a) **Other connection:** to a holder (or to a third party on behalf of a holder) who is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of his having some connection with the British Virgin Islands, Hong Kong or the PRC other than the mere holding of the Note; or

(b) **Surrender more than 30 days after the Relevant Date:** in respect of which the Certificate representing it is presented for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such Additional Tax Amounts on surrendering the Certificate representing such Note for payment on the last day of such period of 30 days.

Relevant Date in respect of any Note means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further surrender of the Certificate representing such Note being made in accordance with these Conditions, such payment will be made, provided that payment is in fact made upon such surrender.

9. EVENTS OF DEFAULT

If any of the following events (each an **Event of Default**) occurs, the Trustee at its discretion may, and if so requested by holders of at least 25 per cent. in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (provided that in either such case, the Trustee shall have been indemnified and/or secured and/or pre-funded to its satisfaction), give notice to the Issuer that the Notes are, and they shall immediately become, due and payable at their principal amount together (if applicable) with accrued but unpaid interest.

An **Event of Default** occurs if:

(a) ***With respect to the Issuer or the Company***

(i) **Non-Payment under the Notes:** there is failure to pay the principal of or any premium (if any) on any Notes when due or there is any failure to pay any amount of interest on any of the Notes within seven days for payment thereof; or

(ii) **Breach of Other Obligations:** the Issuer or the Company does not perform or comply with any one or more of its other obligations under the Notes, the Trust Deed or the Keepwell Deed which default is incapable of remedy or, if capable of remedy, is not remedied within 30 days after the Trustee has given written notice thereof to the Issuer or the Company, as the case may be, provided that if there has been a breach by the Issuer of its obligations to pre-fund any amount in respect of the Notes and/or to provide the Required Confirmations in accordance with Condition 3.2 and such amount has subsequently been paid by the SBLC Bank following a drawing under the SBLC to or to the order of the Trustee and paid to the Noteholders, then such breach will not constitute an Event of Default under this Condition 9(a)(ii); or

(iii) **Cross-Default:** (i) any other present or future indebtedness of the Issuer, the Company or any of their respective Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due, or (iii) the Issuer, the Company or any of their respective Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 9(a)(iii) have occurred equals or exceeds U.S.$20,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this Condition 9(a)(iii) operates); or

(iv) **Security Enforced:** any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer, the Company or any of the Company's Principal Subsidiaries in respect of all or a substantial part of its assets becomes enforceable and any step is taken to enforce it and is not discharged or stayed within 45 days; or

(v) **Enforcement Proceedings**: (i) proceedings are initiated against the Issuer, the Company or any of the Company's Principal Subsidiaries in relation to all or a substantial part of the undertaking or assets of the Issuer, the Company or any of the Company's Principal Subsidiaries, or (ii) the Issuer, the Company or any of the Company's Principal Subsidiaries initiates or consents to any judicial proceedings relating to itself, under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a general moratorium in respect of all or a substantial part of its debts); and in each case is not discharged or stayed within 45 days; or

(vi) **Insolvency:** the Issuer, the Company or any of the Company's Principal Subsidiaries (i) is (or is deemed by law or a competent court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of, all or a substantial part of its debts, (ii) proposes or makes any agreement for the deferral, rescheduling or other readjustment of all or a substantial part of its debts (iii) proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or a substantial part of the debts of the Issuer, the Company or any of the Company's Principal Subsidiaries; or

(vii) **Winding-up:** an order is made by any competent court or a resolution passed for the winding-up or dissolution of the Issuer, the Company or any of the Company's Principal Subsidiaries, save in the case of any Principal Subsidiary of the Company, for (i) any voluntary solvent winding-up, liquidation or dissolution; or (ii) any reorganisation whereby the business, undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Company, the Issuer and/or another Subsidiary of the Company; or (iii) a disposal of a Principal Subsidiary of the Company or such Principal Subsidiary's business and assets on an arm's length basis where the proceeds or other considerations resulting from such disposal are vested in the Company, the Issuer and/or another Subsidiary of the Company; or (iv) for the purposes of reorganisation on terms approved in writing by the Trustee or by an Extraordinary Resolution; or

(viii) **Cessation of Business:** the Issuer, the Company or any of the Company's Principal Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business (save in the case of any Principal Subsidiary of the Company, where the cessation is for the purposes of (i) a voluntary solvent winding-up or dissolution; (ii) a reconstruction, merger or consolidation whereby the business, undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Company, the Issuer and/or another Subsidiary of the Company; or (iii) a disposal of a Principal Subsidiary of the Company or such Principal Subsidiary's business and assets on an arm's length basis where the proceeds or other considerations resulting from such disposal are vested in the Company, the Issuer and/or another Subsidiary of the Company; or (iv) for the purposes of reorganisation on terms approved in writing by the Trustee or by an Extraordinary Resolution); or

(ix) **Authorisation and Consents:** any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable each of the Issuer and the Company lawfully to enter into, exercise its rights and perform and comply with their respective obligations under the Notes, the Trust Deed and the Keepwell Deed (other than with respect to the performance of the obligations set out in the Keepwell Deed), (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Notes, the Trust Deed and the Keepwell Deed admissible in evidence in the courts of Hong Kong is not taken, fulfilled or done; or

(x) **Invalidity or Illegality:** if the validity of the Notes, the Trust Deed or the Keepwell Deed is contested by the Issuer or the Company, or the Issuer or the Company denies any one or more of its obligations under any of the Notes, the Trust Deed or the Keepwell Deed, or it is or will become unlawful for the Issuer or the Company to perform or comply with any one or more of its obligations under any of the Notes, the Trust Deed or the Keepwell Deed or the Notes, the Trust Deed or the Keepwell Deed becomes unenforceable or invalid; or

(xi) **Keepwell Deed:** the Keepwell Deed is not (or is claimed by the Company to not be) enforceable, valid or in full force and effect, or the Keepwell Deed is modified, amended or terminated other than strictly in accordance with its terms or these Conditions; or

(xii) **SBLC**: the SBLC is not (or is claimed by the SBLC Bank not to be) enforceable, valid or in full force and effect; or

(xiii) **Analogous Events:** any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of Conditions 9(a)(iv) to 9(a)(xii) (both inclusive).

In this Condition 9(a):

Principal Subsidiary means at any time a Subsidiary of any company:

(i) whose total revenue (consolidated in the case of a Subsidiary which itself has Subsidiaries), whose net profits (consolidated in the case of a Subsidiary which itself has Subsidiaries) or whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent in each case not less than 10 per cent. of the consolidated total revenue, consolidated net profits, or, as the case may be, consolidated total assets, of the relevant company and its Subsidiaries taken as a whole, all as calculated respectively by reference to the then latest audited accounts (consolidated or, as the case may be, unconsolidated) of such Subsidiary and the then latest audited consolidated accounts of the relevant company and its Subsidiaries, provided that:

A. if the then latest audited consolidated accounts of the relevant company and its Subsidiaries show a net loss for the relevant financial period then there shall be substituted for the words "net profits" the words "total revenue" for the purposes of this definition;

B. in the case of a Subsidiary of the relevant company acquired after the end of the financial period to which the then latest audited consolidated accounts of the relevant company and its Subsidiaries relate, the reference to the then latest audited consolidated accounts of the relevant company and its Subsidiaries for the purposes of the calculation above shall, until consolidated accounts for the financial period in which the acquisition is made have been prepared and audited as aforesaid, be deemed to be a reference to such first-mentioned accounts as if such Subsidiary had been shown in such accounts by reference to its then latest relevant audited accounts, adjusted as deemed appropriate by the auditors of the relevant company;

C. if at any relevant time in relation to the relevant company no accounts are prepared and audited, its total revenue, net profit and total assets (consolidated, if applicable) shall be determined on the basis of pro forma accounts (consolidated, if applicable) prepared for this purpose; and

D. if the accounts of any Subsidiary (not being a Subsidiary referred to in proviso B above of this definition) are not consolidated with those of the relevant company, then the determination of whether or not such Subsidiary is a Principal Subsidiary shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the relevant company;

(ii) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of the relevant company which immediately prior to such transfer is a Principal Subsidiary, provided that the transferor Subsidiary shall upon such transfer forthwith cease to be a Principal Subsidiary and the transferee Subsidiary shall cease to be a Principal Subsidiary pursuant to this subparagraph (ii) on the date on which the consolidated accounts of the relevant company and its Subsidiaries for the financial period current at the date of such transfer have been prepared and audited as aforesaid but so that such transferor Subsidiary or such transferee Subsidiary may be a Principal Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of subparagraph (i) above or, prior to or after such date, by virtue of any other applicable provision of this definition; and

A certificate signed by any authorised signatory of the Company that in its opinion a Subsidiary is or is not or was or was not at any particular time or during any particular period a Principal Subsidiary of the Company may be relied upon by the Trustee without further enquiry or evidence and shall, in the absence of manifest error, be conclusive and binding on the Trustee, the Agents and the Noteholders. Such certificate shall only be provided to the Trustee within 14 days of a written request.

(b) ***With respect to the SBLC Bank***

(i) **Cross-Acceleration:** any other present or future Public External Indebtedness of the SBLC Bank or any of the SBLC Bank Subsidiaries of the SBLC Bank becomes due and payable prior to its stated maturity by reason of any default, event of default or the like (howsoever described) in respect of the terms thereof, or any such Public External Indebtedness is not paid when due or, as the case may be, within any applicable grace period, provided that the aggregate amount of the relevant Public External Indebtedness in respect of which one or more of the events mentioned above in this Condition 9(b)(i) have occurred equals or exceeds U.S.$25,000,000 or its equivalent; or

(ii) **Insolvency:** the SBLC Bank or any of the SBLC Bank Material Subsidiaries is insolvent or bankrupt or unable to pay its debts, stops or suspends payment of all or a material part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all or a material part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or a material part of the debts of the SBLC Bank or any of the SBLC Bank Material Subsidiaries; or

(iii) **Winding-up:** an order is made or an effective resolution is passed for the winding-up or dissolution or administration of the SBLC Bank or any of the SBLC Bank Material Subsidiaries, or the SBLC Bank ceases to carry on all or a material part of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by an Extraordinary Resolution of the Noteholders, or (ii) in the case of a SBLC Bank Material Subsidiary, whereby the undertaking and assets of the SBLC Bank Material Subsidiary are transferred to or otherwise vested in the SBLC Bank or another SBLC Bank Subsidiary of the SBLC Bank; or

(iv) **Unlawfulness:** it is or will become unlawful for the SBLC Bank to perform or comply with any one or more of its obligations under the SBLC; or

(v) **Analogous Events:** any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of Conditions 9(b)(ii) and 9(b)(iii) (both inclusive).

In this Condition 9(b):

Public External Indebtedness means any indebtedness of the SBLC Bank or any Subsidiary of the SBLC Bank, or any guarantee or indemnity by the SBLC Bank of indebtedness, for money borrowed which (x) is in the form of or represented or evidenced by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is or is capable of being listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market) outside the PRC (without regard, however, to whether or not such instruments are sold through public offerings or private placements); and (y) has an original maturity of more than 365 days; and

SBLC Bank Material Subsidiary means a SBLC Bank Subsidiary of the SBLC Bank whose total assets or total revenue (consolidated in the case of a SBLC Bank Subsidiary which has SBLC Bank Subsidiaries) as at the date at which its latest audited financial statements were prepared or, as the case may be, for the financial period to which these audited financial statements relate, account for 5 per cent. or more of the consolidated assets or consolidated revenue of the SBLC Bank as at such date or for such period. If a SBLC Bank Material Subsidiary transfers all of its assets and business to another SBLC Bank Subsidiary of the SBLC Bank, the transferee shall become a SBLC Bank Material Subsidiary and the transferor shall cease to be a SBLC Bank Material Subsidiary on completion of such transfer.

SBLC Bank Subsidiary means, in relation to any Person (the **first Person**) at any particular time, any other Person (the **second Person**):

(a) of which the first Person controls or has the power to control, 50 per cent. or more of the share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such person; or

(b) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person.

10. PRESCRIPTION

Claims against the Issuer for payment in respect of the Notes shall be prescribed and become void unless made as required by Condition 7 within 10 years (in the case of principal and premium) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

11. REPLACEMENT OF CERTIFICATES

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations or other relevant regulatory authority regulations, at the specified office of the Registrar or any Transfer Agent as may from time to time be designated by the Issuer for that purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security, indemnity, prefunding and otherwise as the Issuer and/or the Registrar or such Transfer Agent may require (provided that the requirement is reasonable in light of prevailing market practice). Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12. MEETINGS OF NOTEHOLDERS, MODIFICATION AND WAIVER

12.1 Meetings of Noteholders

The Trust Deed contains provisions for convening meetings of Noteholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of the Noteholders of a modification of any of these Conditions or any provisions of the Trust Deed, the Agency Agreement, the SBLC or the Keepwell Deed. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in principal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution of the Noteholders will be two or more persons holding or representing more than 50 per cent. in principal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the maturity of the Notes or the dates on which interest is payable in respect of the Notes, (ii) to reduce or cancel the principal amount of, any premium (if any) payable on redemption of, or interest on, the Notes, (iii) to change the currency of payment of the Notes, or (iv) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution of the Noteholders, (v) to modify or release the SBLC (other than an amendment or supplement to, or a replacement of, the SBLC in connection with a further issue of securities pursuant to Condition 15) or (vi) to cancel or modify the Keepwell Deed (subject to Condition 12.2), in which case the necessary quorum will be two or more persons holding or representing not less than 66.6 per cent., or at any adjourned meeting not less than 25 per cent., in principal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed).

The Trust Deed provides that a resolution passed (i) at a meeting duly convened and held in accordance with the Trust Deed by a majority consisting of not less than three-fourths of the votes cast on such resolution, (ii) in writing signed by or on behalf of the holders of not less than three-fourths in principal amount of the Notes for the time being outstanding or (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of the holders of not less than three-fourths in principal amount of the Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution. An Extraordinary Resolution passed at any meeting of the Noteholders will be binding on all Noteholders, whether or not they are present and whether or not they voted at the meeting at which such resolution was passed.

12.2 Modification

The Trustee may agree, without the consent of the Noteholders, to (i) any modification of any of these Conditions or any of the provisions of the Trust Deed, the Agency Agreement, the SBLC, the Keepwell Deed or the Agency Agreement that is in its opinion of a formal, minor or technical nature or is made to correct a manifest error or an error which is, in the opinion of the Trustee, proven and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of these Conditions or any of the provisions of the Trust Deed, the Agency Agreement, the SBLC or the Keepwell Deed that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and, unless the Trustee otherwise agrees, such modification, authorisation or waiver shall be notified by the Issuer, failing whom, the Company, to the Noteholders as soon as practicable.

12.3 Entitlement of the Trustee

In connection with the exercise of its functions, rights, powers, authorities and/or discretions (including, without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the interests of the Noteholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Noteholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of such exercise for individual Noteholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof, and the Trustee shall not be entitled to require on behalf of any Noteholder, nor shall any Noteholder be entitled to claim, from the Issuer, the Company or the Trustee, any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders except to the extent already provided for in Condition 8 and/or any undertaking or covenant given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.

12.4 Certificates and Reports

The Trustee may rely without liability to Noteholders on any report, confirmation or certificate or any advice or opinion of any lawyers, accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such information, report, confirmation, certificate, advice or opinion and, in such event, such information, report, confirmation, certificate, advice or opinion shall be binding on the Issuer, the Company, the SBLC Bank and the Noteholders.

13. ENFORCEMENT

At any time, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer, the Company or the SBLC Bank as it may think fit to enforce the terms of the Trust Deed, the Notes or the Keepwell Deed and, where appropriate, to draw down on and enforce the SBLC, but it need not take any such proceedings unless (i) it shall have been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by Noteholders holding at least 25 per cent. in principal amount of the Notes outstanding, and (ii) other than in the case of the making of a drawing under the SBLC, it shall have been indemnified and/or secured and/or pre-funded to its satisfaction. No Noteholder may proceed directly against the Issuer, the Company or the SBLC Bank unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

14. INDEMNIFICATION OF THE TRUSTEE

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility and liability towards the Issuer, the Company, the SBLC Bank and the Noteholders, including (i) provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction and (ii) provisions limiting or excluding its liability in certain circumstances. The Trust Deed provides that, when determining whether an indemnity or any security or pre-funding is satisfactory to it, the Trustee shall be entitled (i) to evaluate its risk in any given circumstance by considering the worst-case scenario and (ii) to require that any indemnity or security given to it by the Noteholders or any of them be given on a joint and several basis and be supported by evidence satisfactory to it as to the financial standing and creditworthiness of each counterparty and/or as to the value of the security and an opinion as to the capacity, power and authority of each counterparty and/or the validity and effectiveness of the security.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, inter alia, (a) to enter into business transactions with the Issuer and/or the Company and/or the SBLC Bank, and/or any of the Issuer or the Company's other Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or the Company and/or any of the Issuer or the Company's other Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders, and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

The Trustee may rely without liability to Noteholders on any report, confirmation, certificate or opinion or any advice of any accountants, lawyers, financial advisers, financial institutions or any other expert, whether or not obtained by or addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation or certificate or advice and, if it does so, such report, confirmation or certificate or advice shall be binding on the Issuer, the Company, the Trustee and the Noteholders.

15. FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders create and issue further notes either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them and the timing for completing the NDRC Post-issue Filing) and so that such further issued notes shall be consolidated and form a single series with the Notes. References in these Conditions to the Notes include (unless the context requires otherwise) any other notes issued pursuant to this Condition and forming a single series with the Notes. However, such further securities may only be issued if (i) a further or supplemental or replacement standby letter of credit is issued by the SBLC Bank (or an amendment is made to the SBLC) on terms that are substantially similar to the SBLC (including that the stated amount of such further or supplemental or replacement or amended standby letter of credit represents an increase at least equal to the principal of and interest payments due on such further notes); (ii) such supplemental documents are executed and further opinions are obtained as the Trustee may require, as further set out in the Trust Deed; (iii) each of the Rating Agencies has been informed of such issue; and (iv) such issue will not result in any change in the then credit rating of the Notes. References to the SBLC shall thereafter include such further or supplemental or replacement or amended standby letter of credit. Any further notes forming a single series with the Notes shall be constituted by a deed supplemental to the Trust Deed.

16. NOTICES

Notices to the holders of Notes shall be mailed at the Issuer's expense to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. The Issuer shall also ensure that notices are duly published at the Issuer's expense in a manner that complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made.

So long as the Notes are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or the Alternative Clearing System (as defined in the Global Certificate), notices to Noteholders may be given by delivery of the relevant notice to Euroclear or Clearstream or the Alternative Clearing System, for communication by it to entitled accountholders in substitution for notification as required by the Conditions.

17. CURRENCY INDEMNITY

U.S. dollars is the sole currency of account and payment for all sums payable by the Issuer and the Company under or in connection with the Notes and the Keepwell Deed, including damages. Any amount received or recovered in a currency other than U.S. dollars (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, the Company or otherwise) by any Noteholder in respect of any sum expressed to be due to it from the Issuer or the Company will only constitute a discharge to the Issuer or the Company to the extent of the U.S. dollar amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that U.S. dollar amount is less than the U.S. dollar amount expressed to be due to the recipient under any Note, the Issuer will indemnify (and the Company shall ensure that the Issuer has sufficient funds to do so) such recipient against any loss sustained by it as a result. In any event, the Issuer will indemnify (and the Company shall ensure that the Issuer has sufficient funds to do so) the recipient against the cost of making any such purchase. For the purposes of this Condition, it will be sufficient for the Noteholder, as the case may be, to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's and the Company's other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted by any Noteholder and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or the Keepwell Deed or any other judgment or order.

18. GOVERNING LAW AND JURISDICTION

18.1 Governing Law

The Trust Deed, the Agency Agreement, the Keepwell Deed and the Notes and any non-contractual obligations arising out of or in connection therewith are governed by, and shall be construed in accordance with, English law.

18.2 Jurisdiction

(a) The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes, claims, difference or controversy that may arise out of, in relation to or in connection with the Trust Deed, the Agency Agreement, the Notes or the Keepwell Deed, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with them (a **Dispute**) and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed, the Agency Agreement, the Notes or the Keepwell Deed (the **Proceedings**) may be brought in such courts.

(b) Each of the Issuer, the Company, the Trustee, the Agents and any Noteholder in relation to any Dispute, submits to the exclusive jurisdiction of the courts of Hong Kong and waives any objection to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient or inappropriate forum to settle any Dispute.

18.3 Appointment of Process Agent

Each of the Issuer and the Company has, in the Trust Deed, the Agency Agreement and the Keepwell Deed, irrevocably and unconditionally appointed the Company's Hong Kong subsidiary TCL Technology Investments Limited at 8/F, Building 22E, Phase Three, Hong Kong Science Park, Pak Shek Kok, NT., Hong Kong as its agent for service of process in Hong Kong in respect of any Proceedings.

If for any reason TCL Technology Investments Limited shall cease to be such agent for service of process, each of the Issuer the Company shall forthwith appoint a new agent for service of process in Hong Kong and shall deliver to the Trustee a copy of the new agent's acceptance of that appointment within seven days of TCL Technology Investments Limited ceasing to be such agent for service of process. Each of the Issuer and the Company agrees that failure by a process agent to notify it of any process will not invalidate the relevant proceedings. Nothing in these Conditions shall affect the right to serve process in any other manner permitted by law.

19. RIGHTS OF THIRD PARTIES

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

SUMMARY OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

*The Global Certificate contains provisions which apply to the Notes in respect of which the Global Certificate is issued, some of which modify the effect of the terms and conditions of the Notes (the "**Conditions**" or the "**Terms and Conditions**") set out in this Offering Circular. Terms defined in the Conditions have the same meaning in the paragraphs below. The following is a summary of those provisions:*

The Notes will be represented by a Global Certificate which will be registered in the name of a nominee of, and deposited with, a common depositary on behalf of Euroclear and Clearstream.

Under the Global Certificate, the Issuer, for value received, will promise to pay such principal and interest on the Notes to the holder of the Notes on such date or dates as the same may become payable in accordance with the Conditions.

Owners of interests in the Notes in respect of which the Global Certificate is issued will be entitled to have title to the Notes registered in their names and to receive individual definitive Certificates if either Euroclear or Clearstream or any other clearing system (an "**Alternative Clearing System**") is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, provided that the holder of the Notes represented by the Global Certificate has given the Registrar not less than 30 days' notice at its specified office of such holder's intention to effect such transfer. In such circumstances, the Company will cause sufficient individual definitive Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant holders of the Notes. A person with an interest in the Notes in respect of which the Global Certificate is issued must provide the Registrar with a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual definitive Certificates.

Payment

So long as the Notes are represented by the Global Certificate, each payment in respect of the Global Certificate will be made to, or to the order of, the person shown as the holder of the Notes in the Register at the close of business (of the relevant clearing system) on the Clearing System Business Day immediately prior to the due date for such payments, where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January.

So long as the Notes are evidenced by the Global Certificate and such Global Certificate is held on behalf of a clearing system, the Issuer has promised, inter alia, to pay interest in respect of such Notes from the Interest Commencement Date in arrear at the rates, on the dates for payment, and in accordance with the method of calculation provided for in the Conditions, save that the calculation is made in respect of the total aggregate amount of the Notes evidenced by such Global Certificate.

Trustee's Powers

In considering the interests of the Noteholders whilst the Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, but without being obliged to do so, (a) have regard to any information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Notes and (b) may consider such interests on the basis that such accountholders were the holder of the Notes in respect of which such Global Certificate is issued.

Notices

So long as the Notes are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or any Alternative Clearing System, notices to Noteholders may be given by delivery of the relevant notice to Euroclear or Clearstream or such Alternative Clearing System, for communication by it to entitled accountholders in substitution for notification as required by the Terms and Conditions of the Notes.

Noteholder's Redemption

The Noteholders' redemption option in Condition 6.3 may be exercised by the holder of the Global Certificate giving notice to any Paying Agent of the principal amount of the Notes in respect of which the option is exercised within the time limits specified in the Conditions.

Transfers

Transfers of interests in the Notes will be effected through the records of Euroclear and Clearstream (or any Alternative Clearing System) and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream (or any Alternative Clearing System) and their respective direct and indirect participants.

Cancellation

Cancellation of any Note by the Issuer following its redemption or purchase by the Issuer will be effected by reduction in the principal amount of the Notes in the register of the Noteholders.

Meetings

For the purposes of any meeting of Noteholders, the holder of the Notes represented by the Global Certificate shall (unless the Global Certificate represents only one Note) be treated as two persons for the purposes of any quorum requirements of a meeting of Noteholders and as being entitled to one vote for each U.S.$1,000 principal amount of Notes so produced or for which he is a proxy or representative.

DESCRIPTION OF THE KEEPWELL DEED

The statements under this heading are summaries of certain key provisions of the Keepwell Deed to be entered into between the Issuer, the Company and the Trustee. Such statements do not purport to be complete and are qualified in their entirety by reference to the Keepwell Deed. Words and expressions defined in the Keepwell Deed shall have the same meaning in this section.

Under the Keepwell Deed, the Company will undertake to the Issuer and the Trustee that it or any of its Subsidiaries will directly or indirectly own and hold all of the outstanding shares of the Issuer and will not directly or indirectly pledge, grant a security interest, or in any way encumber or otherwise dispose of any such shares, unless required to dispose of any or all such shares pursuant to law or regulation or a court decree or order of any governmental authority. The Company will undertake with the Issuer and the Trustee that it shall cause (a) the Issuer to remain solvent and a going concern at all times under the laws of the British Virgin Islands and applicable accounting standards; (b) the Issuer to have a Consolidated Net Worth not less than U.S.$1.00 (or its equivalent in other currencies) at all times; and (c) the Issuer to have sufficient liquidity to ensure timely payment by the Issuer of any and all amounts payable in respect of the Notes in accordance with the Trust Deed and the Conditions of the Notes and any and all payments due under the Trust Deed. The Issuer will undertake that its Consolidated Net Worth will not be less than U.S.$1.00 (or its equivalent in other currencies) at all times.

The Company will further undertake with the Issuer and the Trustee in the Keepwell Deed, for so long as the Notes are outstanding:

(i) not to amend the memorandum or articles of association of the Issuer in a manner that is, directly or indirectly, materially adverse to Noteholders;

(ii) to cause the Issuer to remain in full compliance with the Conditions of the Notes, the Trust Deed and all applicable rules and regulations in the British Virgin Islands and any other applicable jurisdictions;

(iii) to cause the Issuer either to use the proceeds itself or to lend the proceeds from the offering of the Notes only to the Company or the Company's subsidiaries or affiliates (each a "**Relevant Affiliate**"), and to cause each such Relevant Affiliate to pay the interest and principal in respect of such intercompany loan(s) on time;

(iv) to the extent a Relevant Affiliate lends, novates or assigns any of the proceeds it receives from the Issuer from the offering of the Notes, to cause such Relevant Affiliate to lend, novate or assign such proceeds only to another Relevant Affiliate or other Relevant Affiliates;

(v) the Issuer shall not carry on any business activity whatsoever other than the activities in connection with raising debt financing for the Group outside of the PRC, including through the issue of the Notes (such activities in connection with raising debt financing for the Group shall, for the avoidance of doubt, include the on-lending of the proceeds of such debt financing to a Relevant Affiliate, and to cause each such Relevant Affiliate to pay the interest and principal in respect of such intercompany loan(s) on time);

(vi) the Issuer shall not hold any equity interest, capital stock or shares in any entity;

(vii) promptly to do all such things and take any and all such actions necessary to comply with its obligations under the Keepwell Deed; and

(viii) to cause the Issuer to do all such things and take any and all such actions necessary in a timely manner to comply with the Issuer's obligations under the Keepwell Deed.

The Keepwell Deed is not and will not, and nothing therein contained and nothing done pursuant thereto by the Company shall be deemed to constitute, or shall be construed as, or shall be deemed an evidence of, a guarantee by or any legal binding obligation of the Company of the payment of any obligation, responsibilities, indebtedness or liability, of any kind or character whatsoever, of the Issuer under the laws of any jurisdiction, including the PRC.

The Company will acknowledge in the Keepwell Deed that the same is being entered into for the benefit of the Trustee on behalf of itself and the Noteholders, and agrees that the provisions of the Keepwell Deed may be enforced by the Trustee in accordance with the terms of the Trust Deed.

The Keepwell Deed and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with English law. The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Keepwell Deed. A person who is not a party to the Keepwell Deed has no rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Keepwell Deed.

USE OF PROCEEDS

The gross proceeds from this offering will be U.S.$300.0 million. Such proceeds, after deducting commissions to be charged by the Joint Lead Managers and other estimated expenses payable in connection with this offering, will be used for refinancing certain indebtedness and for general corporate purposes.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the Group's capitalisation and indebtedness as at 31 December 2019 and as adjusted to give effect to the issuance of the Notes offered hereby before deduction of any fees, commissions and expenses. Investors should read this table in conjunction with the Group's audited consolidated financial statements as at and for the year ended 31 December 2019, and related notes included elsewhere in this Offering Circular.

	As at 31 December 2019			
	Actual		As adjusted	
	(RMB) (audited)	*(U.S.$)* (1) (unaudited)	*(RMB)* (unaudited)	*(U.S.$)* (1) (unaudited)
	(in thousands)			
Current indebtedness:				
Short-term borrowings	12,069,657	1,733,698	12,069,657	1,733,698
Borrowings from central bank	573,222	82,338	573,222	82,338
Current portion of non-current liabilities	1,691,963	243,035	1,691,963	243,035
Total current indebtedness	**14,334,842**	**2,059,071**	**14,334,842**	**2,059,071**
Non-current indebtedness:				
Long-term borrowings	38,512,059	5,531,911	38,512,059	5,531,911
Bonds payable	16,479,085	2,367,072	16,479,085	2,367,072
Other non-current liabilities	483	69	483	69
Notes to be issued(2)	—	—	2,088,540	300,000
Total non-current indebtedness	**54,991,627**	**7,899,053**	**57,080,167**	**8,199,053**
Total indebtedness(3)	**69,326,469**	**9,958,124**	**71,415,009**	**10,258,124**
Total owners' equity	**63,883,144**	**9,176,239**	**63,883,144**	**9,176,239**
Total capitalisation(4)	**118,874,771**	**17,075,292**	**120,963,311**	**17,375,292**

Notes:

(1) For convenience only, all translations from Renminbi into U.S. dollars are made at the rate of RMB6.9618 to U.S.$1.00, based on the noon buying rate as set forth in the H.10 statistical release of the Board of Governors of the Federal Reserve Bank System on 31 December 2019.

(2) Represents the gross proceeds from the issuance of the Notes, before the payment of fees, commissions and expenses in connection with the offering.

(3) Represents the sum of current indebtedness and non-current indebtedness.

(4) Total capitalisation represents the sum of total non-current indebtedness and total owners' equity.

As at 2 July 2020, the Group's total indebtedness increased by approximately 22 per cent. as compared to 31 December 2019. The newly incurred indebtedness primarily consists of the RMB3.0 billion three-year medium-term notes with a coupon rate of 3.6 per cent. per annum issued by the Company in March 2020 and the RMB1.0 billion 180-day short-term notes with a coupon rate of 2.5 per cent. per annum issued by the Company in June 2020 to replenish the Company's working capital and to refinance existing debt, and bank loans the Group entered into in the ordinary course of business to finance its business operations and to refinance existing debt.

Except as otherwise disclosed in this Offering Circular, there has been no material adverse change in the total capitalisation of the Group since 31 December 2019.

DESCRIPTION OF THE ISSUER

OVERVIEW

The Issuer is a BVI business company incorporated under the BVI Business Companies Act, 2004 of the British Virgin Islands (BVI Company Number: 2034745). It was incorporated in the British Virgin Islands on 16 April 2020. The Issuer is an indirect wholly-owned subsidiary of the Company. The registered office of the Issuer is at Ritter House, Wickhams Cay II, PO Box 3170, Road Town, Tortola VG1110, British Virgin Islands.

BUSINESS ACTIVITY

The Issuer was established with full capacity to carry on or undertake any business or activity, do any act or enter into any transaction and has full rights, powers and privileges for the above purposes pursuant to the objects and powers set out in its memorandum of association. As at the date of this Offering Circular, the Issuer does not carry and has not carried on any business other than entering into the arrangements for the issue of the Notes, and the Issuer has no debt outstanding and has no contingent liabilities. As at the date of this Offering Circular, the Issuer has no subsidiaries and no material assets or liabilities.

DIRECTOR

The sole director of the Issuer is Mr. JIANG Xiaozhao.

SHARE CAPITAL

The Issuer is authorised under its memorandum of association to issue a maximum of 50,000 ordinary shares with no par value each of a single class. As at the date of this Offering Circular, one ordinary share, which is held by TCL Technology Investments Limited, a direct wholly-owned Hong Kong subsidiary of the Company, has been issued and credited as fully paid, representing the entire issued capital of the Issuer. None of the equity securities of the Issuer was listed or traded on any stock exchange and no listing or permission to trade such securities is being or is proposed to be sought as at the date of this Offering Circular.

FINANCIAL STATEMENTS

Under British Virgin Islands law, the Issuer is not required to publish condensed or annual financial statements. The Issuer has not published, and does not propose to publish, any financial statements. The Issuer is, however, required to keep proper books of account as are necessary to give a true and fair view of the state of the Issuer's affairs and to explain its transactions.

LEGAL PROCEEDINGS

The Issuer is not involved in any litigation or arbitration proceedings, nor is it aware of any pending or threatened action against it.

OVERVIEW

The Group is a business conglomerate with an industry leading position. Before April 2019, the Group's primary business consisted of the production and sale of semi-conductor displays and intelligent terminals and other business to provide synergies to its core business operations. In April 2019, in light of the industry and market outlook, the Group spun off its intelligent terminal business to implement its overall business strategy. The Group seeks to further develop its business both overseas and within the PRC, and has been restructuring its business with a view to becoming a leading semi-conductor display and materials manufacturer in the international market. The Group believes that such restructuring will allow the Group to concentrate on its core operations, optimise its organisational structure and improve operational efficiency.

The Group currently has three primary business segments:

- **Semi-conductor Display and Materials**: Through the reorganisation in early 2019, this business segment has become the Group's core business. The Group's semi-conductor display and materials business consists primarily of the development and manufacture of semi-conductor display panels and related equipment and materials, which are widely used in TVs, computers, mobile phones and other terminal devices.

- **Industrial Finance and Investment**: The Group has developed this business segment to provide synergies to its core business operations. The Group's industrial finance and investment business consists of internal finance services primarily within the Group and its affiliates, supply chain finance primarily covering industry chain finance and consumer finance, investment in start-ups by setting up venture capital funds and in listed companies by utilising diversified investment platforms. The Group also provides various advisory services in connection with securities and asset management.

- **Other Business**: The Group's other business consists primarily of electronics distribution and IT services business. The Group previously also provided online education and environmental services.

Leveraging on its strengths in the semi-conductor display and electronic products industries, the Group has established its brand recognition with a proven track record of delivering quality products. The Company ranked 64th, 71st and 79th among the "Fortune China 500" by *Fortune* magazine in 2017, 2018 and 2019, respectively. In 2018, the Company ranked 37th among the "BrandZ Top 50 Chinese Global Brand Builders" (中國出海品牌50強) by Kantar & WPP & GOOGLE, 79th among "Forbes Top 100 Companies in terms of Global Digital Economy" by Forbes and first among "Top 100 Brand Value in Chinese Brands Evaluation" by R&F Global

Ranking Information Group (睿富全球排行榜諮詢集團) and Beijing Famous Brand Asset Evaluation Co., Ltd. (北京名牌資產評估有限公司). In 2019, the Group was awarded the "Best A-stock Company in Investment Value Award" (A股上市公司最具投資價值獎) by Gelonghui (格隆匯).

The Group believes that its expertise in design and engineering, combined with its focus on developing close relationships with upstream materials manufacturing service providers and downstream customers, has contributed to its success. As a leading technology innovator in the semi-conductor display industry, the Group focuses on delivering differentiated value to its customers by developing various technologies and products, covering a comprehensive value chain with the capability to design, develop and manufacture large-sized, small- and medium-sized display panels for a wide range of terminal devices. The Group had filed an aggregate of 11,261 patent applications under the PCT all over the world, including Europe, the United States and South Korea, by the end of 2019.

The Company has been listed on the Shenzhen Stock Exchange (深圳證券交易所) since 2004. Under its unified management, as at 31 December 2019, the Company's diversified business platform consisted of over a hundred subsidiaries, including two listed companies, namely, CDOT (0334. HK) and Highly Information (835281. NEEQ).

For the years ended 31 December 2017, 2018 and 2019, the Group's total revenue was RMB111,727.4 million, RMB113,447.4 million and RMB75,077.8 million, respectively, and the Group's profit before tax was RMB4,789.7 million, RMB4,944.4 million and RMB4,055.8 million, respectively. As at 31 December 2017, 2018 and 2019, the Group's total assets were RMB160.3 billion, RMB192.8 billion and RMB164.8 billion, respectively.

RECENT DEVELOPMENTS

Proposed Disposal of TCL Educational Web

On 25 March 2020, the Group entered into the Share Transfer Agreement with Minsheng Education Technology Company Limited (民生教育科技有限公司), a wholly-owned subsidiary of Minsheng Education Group Company Limited (民生教育集團有限公司) (1569. HK). Pursuant to the Share Transfer Agreement, the Group agreed to sell its 100 per cent. equity interest in TCL Educational Web to Minsheng Education Technology Company Limited at a total price of RMB420.0 million in U.S. dollar equivalent. As at 25 March 2020, TCL Educational Web directly held 100 per cent. equity interest in Shenzhen TCL Education Technology Company Limited (深圳TCL教育科技有限責任公司) and 50 per cent. equity interest in Open University Online Long Distance Learning Education Technology Company Limited (電大在線遠程教育技術有限公司), and indirectly held 50 per cent. equity interest in Open Edutainment and 80 per cent. equity interest in Silk Road (Beijing) International Educational Technology Center Company Limited (絲綢之路(北京)國際教育科技中心有限公司). According to the Share Transfer Agreement, the total price for the share transfer will be paid in three instalments. As at the date of this Offering Circular, the Group has received the first instalment of the total price in U.S. dollars equivalent to RMB214.2 million.

Updates on the Group's Financial Results

For the three months ended 31 March 2020, the Group's operating revenue decreased by more than half compared to the same period of 2019, its costs of sales, taxes and surcharges, selling expense and administrative expense also decreased significantly and its asset impairment loss increased significantly compared to the same period of 2019, primarily due to the Group's spin-off of its intelligent terminal business in April 2019. Additionally, for the three months ended 31 March 2020, the Group experienced a significant increase in the losses from changes in fair value as compared to the same period in the preceding year, primarily due to a significant increase in the losses from changes in fair value of financial instruments. Furthermore, for the first three months of 2020, the Group's profit before income tax and net profit decreased by more than half compared to the same period in 2019, primarily reflecting the impact of the COVID-19 pandemic and the downturn cycle and adverse market conditions in the LCDs panel industry. As a result of the Group's spin-off of its intelligent terminal business in April 2019, the Group's financial results for the first quarter of 2020 do not include the disposed intelligent terminal business, whereas the financial results of the Group for the first quarter of 2019 include such intelligent terminal business. Therefore, the Group's financial results for the first quarter of 2020 may not be comparable to the Group's financial results for the first quarter of 2019. See "*Risk Factors — Risks Relating to the Group and Its Business — The Group's business may be affected by natural disasters, epidemics and other acts of God.*" and "*Risk Factors — Risks Relating to the Group and Its Business — Declining market prices as a result of cyclical market conditions, excess capacity in the semi-conductor display and materials industry or other factors may continue to adversely affect the Group's business, financial condition and results of operations.*"

As at 31 March 2020, as compared to that as at 31 December 2019, the Group's held-for-trading financial assets increased significantly, primarily due to an increase in the Group's purchase of financial products; the Group's notes receivables decreased significantly, primarily as a result of the Group's collection of certain payments; the Group's prepayments increased significantly, primarily due to an increase in prepayments to suppliers; the Group's R&D expense decreased significantly, primarily due to transfer-out as a result of capitalisation as intangible assets; the Group's other non-current assets increased significantly, primarily due to an increase in advance payment for equipment; the Group's held-for-trading financial liabilities increased significantly, primarily due to a significant increase in financial liabilities associated with the Group's investments; the Group's customer deposits and interbank deposits decreased significantly, primarily due to an decrease in customer deposits of TCL Finance Co., Ltd.; the Group's advances from customers decreased significantly and its contractual liabilities increased significantly, primarily reflecting the impact of the newly adopted Accounting Standards for Business Enterprises No. 14 — Income since 1 January 2020; the Group's long-term borrowings increased, primarily attributable to the borrowing to finance CSOT's project investments; the Group's bonds payable also increased, primarily as a result of its issuance of medium-term notes in China's interbank bond market.

Such financial information has not been subject to an audit or review by our independent auditors and should not be relied upon by investors to provide the same quality of information associated with audited or reviewed financial information. Potential investors must exercise caution when using such financial information to evaluate the Group's financial condition and results of operations. The financial information as at and for the three months ended 31 March 2020 does not form a part of this Offering Circular and should not be taken as an indication of the Group's expected financial condition or results of operations as at and for the full financial year ending 31 December 2020. See "*Risk Factors — Risks Relating to the Group and Its Business — Investors should not place any reliance on financial information which is unreviewed or unaudited and shall not place undue reliance on the discussion of material financial trends in relation to the Group's unaudited and unreviewed financial information*".

Proposed Acquisition of 39.95 per cent. Equity Interest in Wuhan CSOT

On 28 April 2020 and 28 May 2020, the Company entered into the Restructuring Agreements with Wuhan Optics Valley, a wholly-owned subsidiary of Hubei Science Technology Investment Group Co., Ltd. (湖北省科技投資集團有限公司). Pursuant to the Restructuring Agreements, the Company proposed to acquire 39.95 per cent. equity interest in Wuhan CSOT, a subsidiary of the Group, from Wuhan Optics Valley. Before the proposed acquisition, CSOT, a direct subsidiary of the Company, holds 45.55 per cent. equity interest in Wuhan CSOT. Upon the completion of the proposed acquisition, in addition to 45.55 per cent. equity interest held by CSOT, the Company would directly hold 39.95 per cent. equity interest in Wuhan CSOT. Wuhan CSOT primarily engages in semi-conductor display and materials manufacturing. For the years ended 31 December 2018 and 2019, total operating revenue of Wuhan CSOT amounted to RMB4,826.7 million and RMB12,977.1 million, respectively. As at 31 December 2018 and 2019, total assets of Wuhan CSOT amounted to RMB21.7 billion and RMB23.4 billion, respectively.

The total consideration for the acquisition is RMB4,217.0 million, consisting of RMB2.0 billion equivalent ordinary A shares of the Company and RMB600.0 million equivalent convertible bonds of the Company to be issued to Wuhan Optics Valley, and RMB1,617.0 million cash consideration to be paid to Wuhan Optics Valley. The proposed acquisition has been approved by the board of directors of the Company and the shareholders' meeting of the Company and is subject to the CSRC approval. Upon the completion of the proposed acquisition (without giving effect to the conversion of the convertible bonds to be issued to Wuhan Optics Valley), Wuhan Optics Valley would hold 3.56 per cent. equity interest in the Company. As at the date of this Offering Circular, the Group has paid a deposit of RMB800.0 million. In accordance with the terms and conditions of the Restructuring Agreements, the remainder of the cash consideration will be paid within 30 days after the receipt of the CSRC approval.

At the same time, the Company proposed to issue ordinary A shares and convertible bonds through private placement to raise matching funds. On 28 April 2020 and 28 May 2020, the Company entered into a subscription agreement and a supplemental subscription agreement, respectively, with Pearl River Delta Optimise Development Fund, Hengkuo Investment and Henghui Equity Investment. Pearl River Delta Optimise Development Fund, Hengkuo Investment and Henghui Investment are all controlled by Guangdong Hengjian Investment Holding Co., Ltd. (廣東恒健投資控股有限公司), a strategic investor of the Company. Pursuant to these agreements, the Company proposed to raise matching funds of no more than RMB2.6 billion, consisting of no more than RMB1.2 billion to be raised through issuing ordinary A shares to Hengkuo Investment and Pearl River Delta Optimise Development Fund and no more than RMB1.4 billion through issuing convertible bonds to Henghui Investment. The proposed issuance has been approved by the board of directors of the Company and the shareholders' meeting of the Company and is subject to the CSRC approval. The proceeds of the matching funds are expected be used to pay the cash consideration for the proposed acquisition, repay the Company's debts and replenish the Company's working capital. Upon the completion of the proposed issuance (without giving effect to the conversion of the convertible bonds to be issued to Henghui Investment), Hengkuo Investment, Henghui Investment and Pearl River Delta Optimise Development Fund would collectively hold 2.41 per cent. equity interest in the Company.

The proposed acquisition is not expected to have any material adverse effect on the Company's total assets, total liabilities, revenue, operating profit or net profit. The Company seeks to improve its profitability through the proposed acquisition.

Proposed Acquisition of 100.00 per cent. Equity Interest in Zhonghuan Group

The Company recently announced its participation in a bid to acquire 100.00 per cent. equity interest in Zhonghuan Group. Zhonghuan Group was put on sale on the Tianjin Property Rights Transaction Centre (天津產權交易中心) on 20 May 2020, soliciting a transferee for 100.00 per cent. of its equity interest at a reserve price of approximately RMB11.0 billion. The Company has submitted the required application materials to Tianjin Property Rights Transaction Centre and received a Notification of the Transferee Qualification Confirmation (受讓資格確認通知書) on 17 June 2020. According to the announcement published by the Company on the Shenzhen Stock Exchange on 23 June 2020, the Company proposed to acquire a total of 100.00 per cent. equity interest in Zhonghuan Group, consisting of 51.00 per cent. from Jinzhi Capital and 49.00 per cent. from Bohai State-owned Assets. Jinzhi Capital and Bohai State-owned Assets are controlled by the Tianjin SASAC. If the Company wins the bid, the Company would acquire and directly hold 100.00 per cent. equity interest in Zhonghuan Group.

Zhonghuan Group primarily engages in R&D, manufacturing and sales of new energy and materials, intelligent equipments and electronic components. Its subsidiaries, Tianjin Zhonghuan Semiconductor Co., Ltd. (天津中環半導體股份有限公司) and Tianjin Printronics Circuit Corporation (天津普林電路股份有限公司), are listed on the Shenzhen Stock Exchange with the stock code 002129. SZ and 002134. SZ, respectively. Zhonghuan Group's audited pro forma data state that, for the year ended 31 December 2018 and the eight months ended 31 August 2019, its total operating revenue amounted to RMB14.4 billion and RMB11.1 billion, respectively, and as at 31 December 2018 and 31 August 2019, its total assets amounted to RMB44.4 billion and RMB46.4 billion, respectively. The Company believes that the proposed acquisition is in line with its business strategy of promoting further integration of the semi-conductor display industry and will contribute to the expansion of the Group's assets and revenue scale, the improvement in its profitability and its efforts to become a global leading company.

The proposed acquisition has been approved by the board of directors of the Company and submitted to the shareholders' meeting of the Company for deliberation, and is subject to Tianjin SASAC's approval and the merger control review by the competent authorities. Moreover, the final bidding results are uncertain as there are two or more qualified bidders participating in the auction. The Tianjin Property Right Transaction Centre is expected to evaluate each bidder in accordance with its weighting system and determine the final transferee accordingly.

COMPETITIVE STRENGTHS

The Group believes that the following strengths are important to its success and future development.

Clear business strategy effectively integrating production and investment.

With over 30 years' development, the Group has achieved a clear strategic layout in the semi-conductor display and materials business. Through its vertical integration and horizontal expansion, the Group provides a full range of products and services to its customers and maintains a leading position in the semi-conductor display and materials industry.

The Group's vertical integrated production process consists of the development of advanced materials, innovation of key technologies, utilisation of upgraded equipment, and R&D and production of semi-conductor display panels. Specifically, the Company's subsidiary, Guangzhou China-Ray Optoelectronic Materials Co., Ltd. (廣州華睿光電材料有限公司) ("**China Ray**"), engages in the development of new OLED materials and has commenced mass production of self-developed OLED key materials including QLED materials, evaporated OLED small molecule materials (蒸鍍型OLED小分子材料) and printed OLED materials (印刷型OLED材料), which can be widely used in semi-conductor display panels. The Company's subsidiary, Guangdong Juhua Printing Display Technology Co., Ltd. (廣東聚華印刷顯示技術有限公司) ("**Guangdong Juhua**"), engages in the research of key common technologies of printed and flexible display. The prototypes based on printing and flexible technologies developed by Guangdong Juhua have commenced pilot run. Adhering to its vertical integrated layout, the Group is able to develop and produce a wide range of semi-conductor display panels and modules used in mobile phones, tablet devices, TVs, automotive electronics and commercial displays. The Group has invested in the following production lines covering the R&D, design and manufacturing of large-sized panels, small- and medium-sized panels, modules and new materials with a total investment of approximately RMB200 billion, which have been proven to be highly effective:

- G8.5 TFT-LCD production line (t1 project) which mainly produces TV panels. The total investment amount of the t1 project is approximately RMB24.5 billion. The t1 project commenced mass production in 2011, with a monthly production capacity of 160,000 pieces;

- G8.5 TFT-LCD (including oxide semi-conductor and AMOLED) production line (t2 project) produces new type of TV panels. The total investment amount of the t2 project is approximately RMB24.4 billion. The t2 project commenced mass production in 2015, with a monthly production capacity of 150,000 pieces;

- G11 new TFT-LCD and AMOLED production line (t6 project) produces ultra-large-sized new display TV panels. The total investment amount of the t6 project is approximately RMB46.5 billion. The t6 project commenced mass production in 2019, with a monthly production capacity of 90,000 pieces;

- G11 new UHD TFT-LCD and AMOLED production line (t7 project) produces 8K new high-end TV panels and commercial display panels. The total investment amount of t7 project is approximately RMB42.7 billion. The t7 project is expected to commence mass production in 2021, with a projected monthly production capacity of 50,000 pieces;

- G6 LTPS-LCD/AMOLED panel production (t3 project) produces display panels for high-end smart phones and laptops. The total investment amount of t3 project is approximately RMB16.0 billion. The t3 project commenced mass production in 2018, with a monthly production capacity of 50,000 pieces;

- G6 LTPS-AMOLED flexible production line (t4 project) produces display panels for flexible high-end smart phones. The total investment amount of t4 project is approximately RMB35.0 billion. The t4 project commenced mass production in the fourth quarter of 2019, with a monthly production capacity of 45,000 pieces; and

- Huizhou integrated intelligent module manufacturing park (Huizhou module assembly project) has a total site area of 519 thousand sq.m. The first phase of Huizhou module assembly project commenced mass production in 2019, with an annual production capacity of 40 million LCD modules. The second phase of Huizhou module assembly project is expected to commence mass production in 2021, with a projected annual production capacity of 60 million LCD modules.

The Group also adheres to its horizontal expansion strategic layout by broadening its product mix and cooperating with global leading companies in the semi-conductor display industry chain to strengthen its leading position in the semi-conductor display panel industry. While cultivating a strong foothold in the TV panels market, the Group has implemented strategic initiatives to cater to the growing demand for larger-sized display panels, capitalise on significant improvements in display technologies, and seize the opportunities in the fast iteration of consumer electronics and rapid growth of the industry. Meanwhile, the Group has undertaken strategic steps to capture the opportunities offered by the fast-growing downstream application scenarios by manufacturing display panels for automotive electronics and other commercial displays such as PIDs. The Group also seeks opportunities to invest in technology- and capital-intensive industries through mergers and acquisitions. The Group made a strategic investment in JOLED Inc. to strengthen their cooperation in the development of new technologies and cutting-edge devices in the ink-jet printing OLED (噴墨印刷OLED) field. In addition, the Group cooperates with Kiwi-image Technologies Co., Ltd. (宏祐圖像科技(上海)有限公司) and Chipone Technology (Beijing) Co, Ltd. (北京集創北方科技股份有限公司) to develop core components for display panels.

The Group has also developed a diversified portfolio of industrial finance and investments business, including internal finance services, supply chain finance and strategic investments in startups as well as listed companies, creating synergies to and underpinning the Group's semi-conductor display and materials business. Benefiting from the industrial finance and investments business, the Group is able to optimise its assets allocation, maintain sufficient liquidity, reduce financing costs, strengthen its insights in cutting-edge technologies and accelerate new business initiatives. Moreover, the Group's industrial finance and investment business contributes relatively stable revenue stream to the Group, which partially offset the impact of the current downturn cycle and adverse market conditions in the semi-conductor display industry.

The vertical integration and horizontal expansion strategy enables the Group to improve its revenue-generating capabilities by capturing the growth opportunities, as well as to improve its profit margins and reduce operating risks. The Group believes that such clear business strategy allows it to provide more products of high quality catering to the market demand at relatively low cost, which will allow it to keep pace with new technologies and optimise its products portfolio to drive the development and upgrading of its core operations.

Leading position in the semi-conductor display panel market supported by comprehensive production lines.

The Group is a leading semi-conductor display panel provider, offering a wide range of semi-conductor display products. The Group's expertise and experience in the semi-conductor display panel industry have been well recognised in the PRC and globally. The Group ranked 64th, 71st and 79th among "Fortune China 500" by *Fortune* magazine in 2017, 2018 and 2019, respectively. The Group ranked 79th among "Forbes Top 100 Companies in terms of Global Digital Economy" by Forbes in 2018.

The Group has comprehensive production lines for manufacturing display panels, consisting of two G8.5 TFT-LCD production lines, one G6 LTPS-LCD production line, one G6 LTPS-AMOLED flexible production line, one G11 new TFT-LCD production line and one G11 UHD TFT-LCD and AMOLED production line. See "— *Clear business strategy effectively integrating production and investment*" above for further details. These production lines are expected to significantly boost the Group's production capacity and expand its product offerings. Leveraging its comprehensive production lines as well as its industry-leading expertise and experience, the Group has enjoyed unparalleled market share in the semi-conductor display panel industry:

Large-sized Panels

- the Group's TV display panels ranked first in the world in February 2020 in terms of shipment volume and third in the world in 2019 in terms of market share;

- the Group's 75-inch smart home display panels ranked first in the world in 2019 in terms of shipment volume;

- the Group's 65-inch smart home display panels ranked second in the world in 2019 in terms of shipment volume;

- the Group's commercial display panels ranked sixth in the world in 2019 in terms of shipment volume, among which the Group's 86-inch commercial display panels ranked second in the world in 2019 and the Group's 32-inch e-sports display panels ranked third in the world in 2019;

- the Group's 32-inch UD display panels ranked second in the world in 2019 in terms of shipment volume; and

- the Group's 55-inch UD display panels ranked first in the world in 2019 in terms of shipment volume.

Small- and Medium-sized Panels

- the Group's LTPS mobile phone panels ranked second in the world in 2019 in terms of shipment volume and second in the world in 2019 in terms of market share.

Supported by its comprehensive productions lines, the Group is able to diversify its product portfolios to meet different customers' needs and to respond quickly to the changing demands of customers, which allows the Group to maintain a growth momentum better than the semi-conductor display industry.

The Group has established in-depth cooperation with its world-class customers, including but not limited to Samsung, LGE, Hisense, Skyworth, Changhong, Sony and Konka. Such cooperation has significantly boosted the quality and technology standards of the Group's products and further enhanced its leading position in the semi-conductor display panel market.

In addition, the Group's leading market position is also benefited from a number of other factors, including its strong R&D capabilities, broad customer base, high product quality, low manufacturing costs and superior after-sales services. The Group believes that it is well positioned to capture the opportunities by leveraging on its established leading positions and strong capacities and competitiveness in the PRC and globally.

Focused on the business operation of semi-conductor display and materials to maintain global industry-leading operational efficiency and profitability.

The Group is a leading semi-conductor display and materials manufacturer in the international market. Before April 2019, the Group's primary business consisted of the production and sale of semi-conductor displays and intelligent terminals and other businesses. Following the spin-off of its intelligent terminal business in April 2019, the Group's business operation focuses on the semi-conductor display and materials, which can be further divided into two principal categories:

- large-sized panels, including display panels for household screens, such as TVs, and commercial displays, such as PIDs; and

- small- and medium-sized panels, including display panels for smart phones, vehicle mounted equipment and high-end products.

The Group has built an internationally renowned brand and a leading market position through its commitment to the semi-conductor display and materials business operation. Since the spin-off of its intelligent terminal business, the Group has achieved a rapid growth in production capacity of semi-conductor display and materials and an improvement in its operational efficiency and market share.

The Group maintains prominent operation results of its semi-conductor display and materials business in terms of shipment area, shipment volume and operating revenue. The shipment area of large-sized panels increased by 19.1 per cent. from 17.5 million sq.m. in 2018 to 20.8 million sq.m. in 2019, primarily due to the production capacity release from the sale of the t1 project and the t2 project in 2019, the achievement of the designed output of t4 project ahead of schedule and the utilisation of the full production capacity. The shipment volume of large-sized panels increased by 4.8 per cent. from 39.3 million pieces in 2018 to 41.2 million pieces in 2019, although the Group's operating revenue generated from large-sized panels decreased by 12.5 per cent. from RMB21.6 billion in 2018 to RMB18.9 billion in 2019 primarily due to the declining prices in the display panel market. The shipment area of small- and medium-sized panels more than tripled from 0.4 million sq.m. in 2018 to 1.4 million sq.m. in 2019, primarily due to the utilisation of the full production capacity and the sale of the t3 project. The shipment volume of small- and medium-sized panels more than doubled from 50.6 million pieces in 2018 to 114.0 million pieces in 2019. The Group's operating revenue generated from small- and medium- sized panels increased by 151.6 per cent. from RMB5.0 billion in 2018 to RMB15.1 billion in 2019, primarily due to an increase in the average selling price of small- and medium-sized panels, combined with an increase in the shipment volume of small- and medium-sized modules and the panels in larger sizes. Among the Group's small- and medium-sized LTPS panels, products of 6-inch or above accounted for approximately 94 per cent. of the total shipment volume in 2019, as compared to approximately 51 per cent. in 2018.

The Group believes that its strategic focus on the semi-conductor display and materials business has greatly contributed to its operational efficiency and profitability and enabled itself to achieve a global industry-leading position, which is expected to further enhance its competitive strengths in scale and efficiency.

A proven track record of strong financial performance and access to diverse financing sources.

The Group has demonstrated strong profitability and generated positive cash flows from its operations. For the years ended 31 December 2017, 2018 and 2019, the Group's net cash generated from operating activities was RMB9,209.6 million, RMB10,486.6 million and RMB11,490.1 million, respectively, the Group's EBITDA to operating revenue was 12.0 per cent., 12.4 per cent. and 18.9 per cent., respectively, and the Group's quick ratio was 0.77, 0.67 and 0.85, respectively. The Group's spin-off of its intelligent terminal business in April 2019 further improved its capital structure and operational efficiency. The Group's liabilities to assets ratio decreased to 61.3 per cent. in 2019 from 68.4 per cent. in 2018.

The Group has access to diversified funding sources, including, among others, bank loans provided by various commercial banks and funds raised from securities offerings. The Group has maintained long-term relationships with a number of domestic commercial banks and reputable international financial institutions, including Bank of China (中國銀行), Industrial and Commercial Bank of China (中國工商銀行), Agricultural Bank of China (中國農業銀行), China Construction Bank (中

國建設銀行), Bank of Communications (交通銀行), China Development Bank (國家開發銀行), the Export-Import Bank of China (中國進出口銀行), Postal Savings Bank of China (中國郵政儲蓄銀行), China Merchants Bank (招商銀行), Industrial Bank Co., Ltd. (興業銀行), China CITIC Bank (中信銀行) and China Everbright Bank (中國光大銀行), securing its access to credit lines to fund future development and expansion plans. As at 31 December 2019, the Group had total credit facilities from commercial banks and financial institutions of approximately RMB199.6 billion, of which approximately RMB140.3 billion were available for drawdown. The Group's ability to access diversified sources of funding and its strong financing capability have enabled it to fulfil the capital need of its business growth and capitalise on various business opportunities.

A global leading innovator with first-class talents and cutting-edge technologies.

The Group is globally acclaimed for its innovation and invention. Its talent pool and R&D capabilities will underpin the Group's continued success. The Group has attracted first-class technology experts in the semi-conductor display and materials industry. As at 31 December 2017, 2018 and 2019, the Group had 4,571, 5,354 and 5,746 R&D personnel, respectively, of whom 3,600, 3,938 and 3,957, respectively, held a bachelor's degree, 839, 1,212 and 1,550, respectively, held a master's degree and 132, 204 and 239, respectively, held a doctorate degree.

The Group's R&D capabilities are also demonstrated by the significant amount of intellectual property it has developed. As at 31 December 2019, the Group developed 1,199 open patents in the field of quantum dot technology, which, in terms of quantity, ranked second globally and first among all Chinese enterprises in the world. As at 31 December 2017, 2018 and 2019, the Group had filed 7,134, 8,509 and 11,261 PCT international patent applications, respectively. CSOT's number of PCT international patent applications ranked fifth among Chinese enterprises in 2019. For the years ended 31 December 2017, 2018 and 2019, CSOT's investment in R&D amounted to approximately RMB2.4 billion, RMB3.7 billion and RMB4.7 billion, respectively, representing 7.9 per cent., 13.5 per cent. and 13.7 per cent., respectively, of its total revenue for the same years. CSOT has successfully developed a series of major internationally advanced technologies, including HVA, 4mask, gate-on-array, color filter on array, Cu process, curved display, three-dimensional display, indium gallium zinc oxide display, LTPS, white OLED, printed OLED and quantum dot display. CSOT has been accelerating R&D and the application of new display technologies, materials and processes, and has been at the forefront of the industry in various fields including Micro LED, Mini LED, printed display, flexible display, transparent display and light field display.

Experienced and professional management team with strategic insights.

The Group's success is critically-hinged on the sound leadership and vision of its management team. The Group's management team consists of an experienced group of experts and professionals with extensive operating and management experience in the semi-conductor display and materials industry. In particular, the Company's founder, chairman of the board of directors and chief executive officer, Mr. Li Dongsheng, possesses over 30 years of industrial technology and management experience. Mr. Li has also held various positions in social organisations including serving as a vice president of All-China Federation of Industry and Commerce (中華全國工商業聯合會), a deputy head of China Chamber of International Commerce (中國國際商會) and the president of Guangdong Provincial Association of Entrepreneurs (廣東省企業家協會). The Group's senior executives also have diverse backgrounds in the areas of finance, securities and accounting, which is expected to further facilitate the overall development of the Group's business. See "*Directors, Supervisors and Senior Management*" for more details. The collective experience of the Group's management team brings together a mix of local and international experience, industry knowledge and complementary skillsets which have allowed the Group to maintain an industry leading position. The Group's management also has strong execution capabilities and is open to learning advanced management systems from other leading companies and integrating the industry's best practices with the Group's existing strengths. Leveraging their strategic vision and in-depth industry knowledge, the Group's management team is well positioned to formulate sound business strategies, assess and manage risks, respond to changes in customer preferences and capture market opportunities.

BUSINESS STRATEGIES

The Group intends to focus on the following business strategies.

Continue to focus on semi-conductor display and materials business.

Since the spin-off of its intelligent terminal business, the Group has achieved a rapid growth in production capacity of its semi-conductor display and materials business. The Group intends to continuously increase its operational efficiency and market share and focus on expanding its market share in the semi-conductor display and materials market. The Group believes that its successful development relies to a large extent on its industrial chain integration and its ability to continue expanding the scale of operations in line with the expected increase in demand for a variety of semi-conductor products. The Group has been improving its efficiency of capacity expansion in the semi-conductor display and materials business through optimising its production line layout. To implement its strategy to further enhance the diversity and capacity of the production of semi-conductor display panels and materials, the Group anticipates to continue to invest in the construction of new manufacturing facilities and the maintenance and upgrading of its existing manufacturing facilities, particularly in connection with AMOLED technology.

The Group plans to continue to invest in R&D to remain at the forefront in technology, material, manufacturing process and equipment to cater to its customers' needs. The Group will focus on expanding its core technologies to develop products with higher margin, higher value-added and more advanced technology and plans to invest an adequate amount of funds to support its R&D activities. Staying in the leadership position in technology will give the Group more visibility into the next generation semi-conductor display and materials products. In addition, the Group endeavours to broaden its product portfolio by further deploying the industry chain of semi-conductor display and materials. The Group also plans to deepen its relationship with customers by leveraging its leading position in the industrial chain, continuing to maintain strategic relationship with its major customers, as well as developing potential customers in the long run.

Through the focused development of core business, the Group believes it will be able to improve profitability and market share.

Leverage on industrial finance and investment capacities to achieve sustained and stable growth.

The Group has developed a diversified portfolio of industrial finance and investments, which provides synergies to its core business operations. In particular, the internal finance services have enabled the Group to improve the efficiency of its capital operations, liquidity position and risk control capability. Its supply chain finance business promotes the coordinated development of supply chain ecosystem. The venture capital business of the Group contributes to the continued optimisation of its business layout by capturing investment opportunities in cutting edge technologies. The financial advisory services provides support to the Group's overseas business expansion, mergers and acquisitions and restructuring strategies. The industrial finance and investment business will continue to support the Group's semi-conductor display and materials business in a number of aspects, such as supporting the Group's industrial chain layout, improving its financial strengths and asset turnover ratios and lowering its financial costs.

The Group will continue to make investments in upstream and downstream opportunities in the industrial chain and in strategic technologies, and support the improvement in the ecosystem of the semi-conductor display and materials industrial chain. The Group intends to leverage on its industrial finance and investment capacities to achieve sustainable growth in earnings and improve the Group's capability to minimise the impact of the downturn cycle of the semi-conductor display and materials sector.

Continue to increase operational efficiency.

Through a number of initiatives to refine its organisational structure and streamline its business processes, the Group has achieved improvements in capital structure and operational efficiency. The Group believes that managing its operational and production costs efficiently is essential to its competitiveness in the industry sectors in which it operates, and intends to improve efficiency by adopting a holistic approach in managing the production and operation of the Group as well as enhancing corporate governance at all levels. The Group also closely monitors and reviews its operational performance to manage its operational costs and expenses and capital requirements, with an aim to achieving efficiency in its production operations.

Continue to seek business opportunities in capital- and technology-intensive industries.

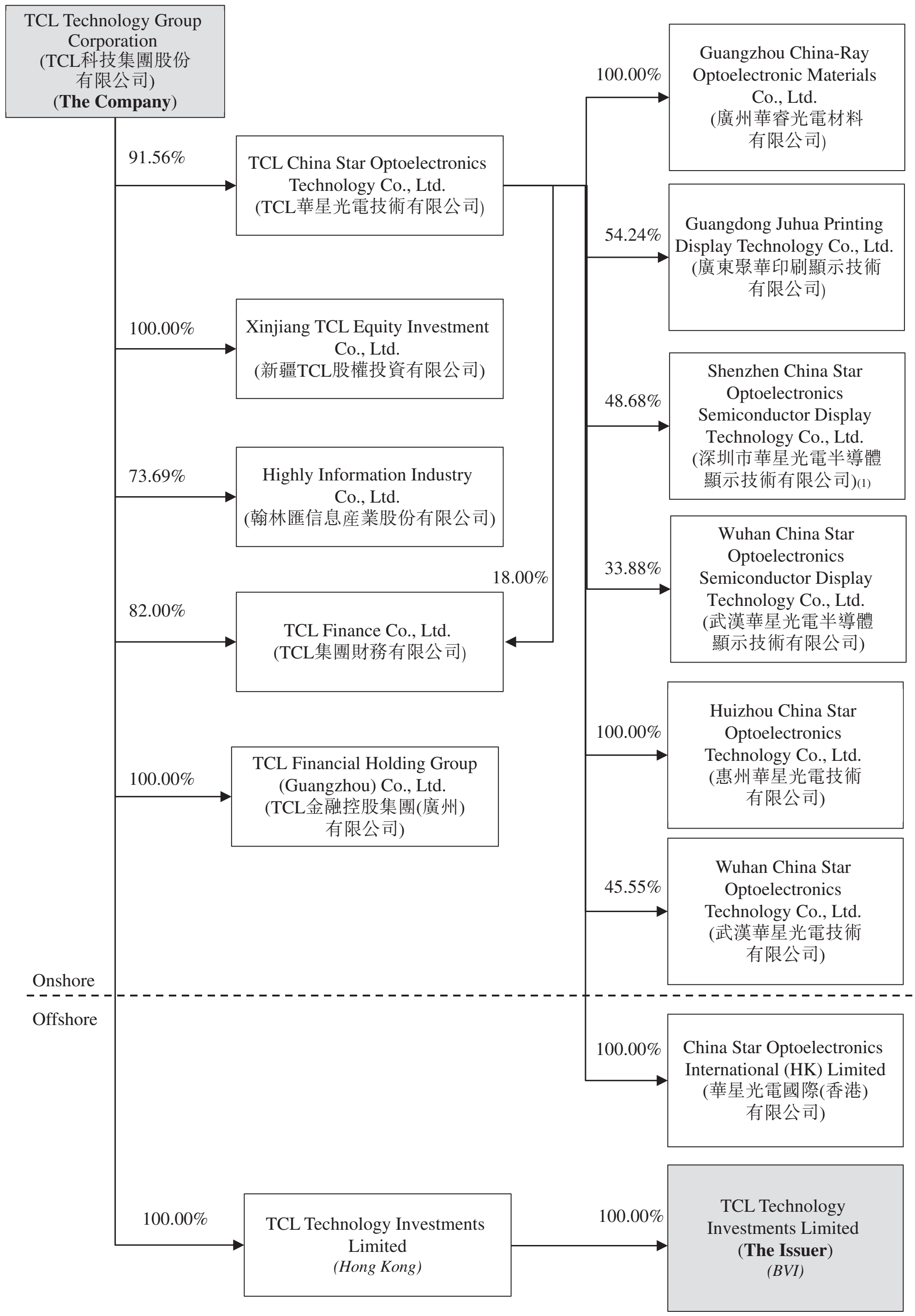
Leveraging on its strengths in technology, management and capital, the Group is open to opportunities in the capital-intensive and technology-intensive industry sectors to support its overall long-term sustainable growth. Potential strategic transactions may include a range of different business arrangements, including mergers and acquisitions, strategic partnerships and joint ventures. For instance, in the first half of 2020, the Company has announced its business acquisition plan with respect to Zhonghuan Group, which the Company believes is in line with its business strategy of promoting further integration of the semi-conductor display industry and will contribute to the expansion of the Group's assets and revenue scale, the improvement in its profitability and efforts towards its strategic goal to become a global leading company. See "— *Recent Development — Proposed Acquisition of 100.00 per cent. Equity Interest in Zhonghuan Group*" for more details. The Group plans to capture suitable opportunities to invest in potential targets, which are the leading enterprises in the relevant industry sectors, have the business objectives compatible with the Group and are expected to bring synergies to the Group.

Strengthen team-building and promote corporate culture.

Through deploying the expertise of the Group's management team and support function staff, the Group expects to be able to further improve the efficiency of its operations and achieve its strategic goals. The Group believes that building up strong work force and corporate culture are important to its efforts to achieve the strategic business objectives. The Group will continue to improve the governance structure and build up an "customer-centric" process-driven organisation to adapt to the rapidly changing industry in the future and ensure its long-term sustainable development. The Group seeks to continuously promote an inclusive corporate culture through building consensus in corporate vision, missions and core values. The Group plans to continue to pursue the vision of "becoming a global leading company" and the core value of "accountability, innovation and excellence" and to implement the "global leadership methodologies" in all aspects throughout its business operations.

GROUP STRUCTURE

The following chart presents a simplified corporate structure of the Group and the shareholding of the Group as at the date of this Offering Circular:



Note:

(1) CSOT holds an aggregate shareholding of 48.68 per cent. of Shenzhen China Star Optoelectronics Semiconductor Display Technology Co., Ltd. (深圳市華星光電半導體顯示技術有限公司), among which 23.08 per cent. is held directly by CSOT and 25.60 per cent. is held indirectly by CSOT through Guangdong China Star Optoelectronics Equity Investment Co., Ltd. (廣東華星光電產業股權投資有限公司), a subsidiary of CSOT not listed in the simplified corporate structure.

HISTORY AND DEVELOPMENT

The Company is the successor of Huiyang Region Electronic Industry Corporation (惠陽地區電子工業公司) formed in 1981, which was later converted into TCL Group Limited (TCL集團有限公司), a limited liability company, on 17 July 1997. The Company was incorporated on 19 April 2002, with a registered capital of RMB1,591.9 million, through the conversion of TCL Group Limited into a joint stock limited company according to the approval documents issued by the People's Government of Guangdong Province (廣東省人民政府) and the Economic and Trade Commission of Guangdong Province (廣東省經濟貿易委員會). The Company was listed on the Shenzhen Stock Exchange with the stock code 000100. SZ on 30 January 2004. As at the date of this Offering Circular, the Company has a registered capital of RMB13,528.4 million.

The following table sets forth selected key milestone events in the history of the Company and the Group:

Year	Milestone Event
1981	The Company's predecessor, Huiyang Region Electronic Industry Corporation was incorporated, being one of the earliest Sino-foreign joint ventures in China.
1986	The Group developed China's first hands-free speakerphone.
1989	The Group ranked first among the mobile phone manufacturers in China in terms of production and sales volume.
1992	The Group developed China's first 28-inch colour TV.
1996	The Group became one of the top three colour TV brands in China.
1997	In July, TCL Group Limited was incorporated through the conversion of Huiyang Region Electronic Industry Corporation into a limited liability company in the PRC.
1999	The Group established its first overseas branch in Vietnam, being one of the earliest Chinese enterprises expanding overseas.
2002	In April, the Company was incorporated and registered with the Guangdong Province Administration for Industry and Commerce (廣東省工商行政管理局) on 19 April 2002 under the name of Guangdong TCL Group Corporation (廣東TCL集團股份有限公司) through the conversion of TCL Group Limited into a joint stock limited company according to the approval documents issued by the People's Government of Guangdong Province and the Economic and Trade Commission of Guangdong Province.

Year	Milestone Event
	In May, the Company's name was changed from Guangdong TCL Group Corporation to TCL Group Corporation (TCL集團股份有限公司).
2003	The Group became one of the top domestic mobile phone brands.
2004	The Group acquired the TV business from Thompsons and the mobile phone business from Alcatel through merger and acquisition.
	In January, in accordance with the Approval on the Public Offering by TCL Group Corporation of Shares and Its Merger and Acquisition of TCL Communication Equipment Co., Ltd. (Zheng Jian Fa Xing Zi [2004] No. 1) (關於核准TCL集團股份有限公司公開發行股票及吸收合併TCL通訊設備股份有限公司的通知 (證監發行字[2004]1號)) issued by the CSRC on 2 January 2004, the Company issued 590,000,000 ordinary shares denominated in RMB (A shares) to the public and 404,395,944 A shares to all the public shareholders of TCL Communication Equipment Co., Ltd. (TCL通訊設備股份有限公司) in a stock-for-stock merger. The Company was listed on the Shenzhen Stock Exchange with the stock code 000100. SZ on 30 January 2004.
2009	In November, Shenzhen China Star Optoelectronics Technology Co., Ltd. (深圳華星光電技術有限公司), a principal subsidiary of the Company engaging in the semi-conductor display and materials business, was incorporated.
	The Group developed China's first Internet TV.
2014	The Group promoted the "Intelligence + Internet" transformation strategy and adopted the "Product + Service" new business model.
2015	In December, the Company's subsidiary, Highly Information, was listed on the National Equities Exchange and Quotations System with a stock code 835281. NEEQ.
2016	The Group developed China's first dirt-free pulsator-type washing machine.
	The Group began setting up its t3 project and t6 project.
2017	The Group sold more than 10 million sets of air conditioners.
2018	The Group began operating its t6 project and began setting up its t7 project.

Year	Milestone Event
	The Group began setting up is panel and module integrated intelligent manufacturing park in India.
	The Group's European research and development centre was set up in Poland.
2019	In April, the Group spun off 100.0 per cent. equity interest in T.C.L. Industries Holdings (H.K.) Limited (T.C.L.實業控股(香港)有限公司), 100.0 per cent. equity interest in Huizhou TCL Household Electric Appliance Group Co., Ltd. (惠州TCL家電集團有限公司), 100.0 per cent. equity interest in TCL Home Appliance (Hefei) Co., Ltd. (TCL家用電器(合肥)有限公司), 56.5 per cent. equity interest in Huizhou Cool Friends Internet Technology Co., Ltd. (惠州酷友網絡科技股份有限公司), 100.0 per cent. equity interest in Huizhou Koyoo Online Service Co., Ltd. (惠州客音商務服務有限公司), 100.0 per cent. equity interest in TCL Technology Industrial Park Co., Ltd. (TCL科技產業園有限公司), 75.0 per cent. equity interest in Jian Dan Hui Information Technology (Zhuhai) Co., Ltd. (簡單匯信息科技(珠海)有限公司) and 36.0 per cent. equity interest in Getech Co., Ltd. (格創東智科技有限公司) (together, the "**Spin-off Assets**") to TCL Industries (the "**Spin-off**") based on the Group's overall business strategy and the industry outlook. The total transaction price of the Spin-off Assets amounted to approximately RMB4.76 billion. Upon the completion of the Spin-off in April 2019, the Group shifted its business focus to the semi-conductor display and materials business and no longer conducts the intelligent terminal business.
	The Group began setting up a panel and module integrated manufacturing base in Vietnam.
	The Group globally released its new Mini-LED technology, Mini-LED black light unit on glass (MLED-星曜屏).
	In October, the name of the Company's principal subsidiary, Shenzhen China Star Optoelectronics Technology Co., Ltd. (深圳華星光電技術有限公司), was changed to TCL China Star Optoelectronics Technology Co., Ltd. (TCL華星光電技術有限公司).
2020	In February, the Company's name was changed from TCL Group Corporation to TCL Technology Group Corporation (TCL科技集團股份有限公司).

AWARDS AND RECOGNITIONS

The following table sets forth the key awards and recognitions received:

Year	Awards/Recognitions	Event/Organiser/Media
2017	Ranked 64th among the "Fortune China 500"	*Fortune* Magazine
2017	"Top 10 Chinese Consumer Electronics Brands", "Top 50 Global Consumer Electronics Brands" and "Top 20 Global TV Brands"	International Data Group ("**IDG**")
2018	Ranked fifth among the "2018 Top 100 Chinese Electronic Information Enterprises" (2018年中國電子信息百強企業)	China Information Technology Industry Federation (中國電子信息行業聯合會)
2018	"Most Respected Listed Company Rated by Investors for the Year of 2017" (2017年度最受投資者尊重的上市公司)	China Association for Public Companies
2018	Ranked 8th among the "2017 Top 100 Guangdong Private Enterprises" (廣東省百強民營企業) for the outstanding operating performance of 2017	Guangdong Federation of Industry and Commerce (廣東省工商業聯合會)
2018	TCL Electronics, formerly a subsidiary of the Company which was spun-off in April 2019, was awarded the "2017-2018 Top 10 Consumer Electronics Brands from China", "2017-2018 Top 15 Global TV Brands", "2017-2018 Global Top 20 Smart Phones Brand" and "2017-2018 Top 50 Global Consumer Electronics Brands"	IDG
2018	Ranked 37th among "BrandZ Top 50 Chinese Global Brand Builders" (中國出海品牌50強)	Kantar & WPP & GOOGLE
2018	Ranked 79th among "Forbes Top 100 Companies in terms of Global Digital Economy"	Forbes

Year	Awards/Recognitions	Event/Organiser/Media
2018	Ranked first among "Top 100 Brand Value in Chinese Brands Evaluation"	R&F Global Ranking Information Group (睿富全球排行榜諮詢集團) & Beijing Famous Brand Asset Evaluation Co., Ltd. (北京名牌資產評估有限公司)
2018	The Company's principal subsidiary CSOT won the "2018 China New Display Industry Chain Development Contribution Award" (中國新型顯示產業鏈發展貢獻獎)	China Electronics Materials Industry Association (中國電子材料行業協會) & China Optics and Optoelectronics Manufactures Association LCB (中國光學光電子行業協會液晶分會)
2018	Ranked 71st among "Fortune China 500"	*Fortune* Magazine
2019	Ranked 79th among "Fortune China 500"	*Fortune* Magazine
2019	"Top 60 Chinese Corporate Citizen Responsibility Brands in 2019" (中國企業公民責任品牌60強)	China Committee of Corporate Citizenship (中國社會工作聯合會企業公民委員會)
2019	"Best China Listed Companies in Corporate Social Responsibility Award 2018" (金融界2018年度中國上市公司最具社會責任獎)	JRJ.com
2019	"The Outstanding Enterprise in Social Responsible for 2018" (年度傑出責任企業)	the China Corporate Social Responsibilities Annual Forum (中國企業社會責任年會)
2019	"The Most Popular Company Favoured By Investors" (最受投資者青睞獎)	Cailianpress.com
2019	the "Best Board Awarded in the fifteenth session of Golden Round Table" (第十五屆金圓桌會議最佳董事會獎)	Board Magazine (《董事會》雜誌)
2019	"Sustainable Development Innovation Award" (可持續發展貢獻獎)	Caijing Magazine (《財經》雜誌)

Year	Awards/Recognitions	Event/Organiser/Media
2019	"Best A-stock Company in Investment Value Award" (A股上市公司最具投資價值獎)	Gelonghui (格隆匯)

DESCRIPTION OF THE GROUP'S BUSINESS

Overview

The Group is a leading semi-conductor display and materials provider in the industry. Before April 2019, the Group's primary business consisted of the production and sale of semi-conductor displays and intelligent terminals and certain other business to provide synergies to its core business operations. After spinning off its intelligent terminal business in April 2019, the Group has been focused on the development and manufacture of semi-conductor display panels and related equipment and materials, which are widely used in TVs, computers, mobile phones and other terminal devices. The Group also engages in industrial finance and investment business and other business which provide synergies to its core business operations.

The following table sets forth the total operating revenue of the Group by principal business activities for the years indicated:

	For the year ended 31 December					
	2017		2018		2019	
	Amount (RMB in millions)	*per cent. of total*	*Amount (RMB in millions)*	*per cent. of total*	*Amount (RMB in millions)*	*per cent. of total*
Semi-conductor display and materials business	30,574.4	27.4	27,666.4	24.4	33,993.5	45.4
Intelligent terminal business [(1)]	73,830.7	66.2	77,791.6	68.6	20,167.4	26.9
Industrial finance and investment	226.9	0.2	312.1	0.3	346.9	0.5
Other business [(2)]	6,945.4	6.2	7,590.0	6.7	20,425.3	27.3
Total	**111,577.4**	**100.0**	**113,360.1**	**100.0**	**74,933.1**	**100.0**

Notes:

(1) Spun off in April 2019.

(2) Other business consists primarily of electronics distribution and IT services business. The Group previously also provided online education and environmental services.

For the years ended 31 December 2017, 2018 and 2019, the Group's total revenue was RMB111,727.4 million, RMB113,447.4 million and RMB75,077.8 million, respectively, and the Group's profit before tax was RMB4,789.7 million, RMB4,944.4 million and RMB4,055.8 million, respectively, for the same years. As at 31 December 2017, 2018 and 2019, the Group's total assets were RMB160.3 billion, RMB192.8 billion and RMB164.8 billion, respectively.

Semi-conductor Display and Materials Business

Overview

As a result of the reorganisation and the spin-off of the intelligent terminal business in April 2019, the semi-conductor display and materials business has become the Group's core business. The Group's semi-conductor display and materials business consists primarily of the development and manufacture of semi-conductor display panels and related equipment and materials, which are widely used in TVs, computers, mobile phones and other terminal devices.

The Group conducts the semi-conductor display and materials business primarily through CSOT, Wuhan CSOT, Shenzhen China Star Optoelectronics Semiconductor Display Technology Co., Ltd. (深圳市華星光電半導體顯示技術有限公司), Wuhan China Star Optoelectronics Semiconductor Display Technology Co., Ltd. (武漢華星光電半導體顯示技術有限公司), CDOT, Guangdong Juhua and China Ray.

As a leading technology innovator in the semi-conductor display industry, the Group focuses on delivering differentiated value to its customers by developing various technologies and products, including TFT-LCDs, small- and medium-sized display panels with OLED and other technologies. The Group's principle subsidiary, CSOT, is an industry leader in LTPS. The Group is also proactively working on the next-generation display technologies, manufacturing processes and materials, including Mini-LED on TFT, foldable and fully flexible AMOLED and AMOLED for handsets with an under-screen camera. The "Printed and Flexible Display Technology Platform" (國家印刷及柔性顯示創新平臺) led by CSOT and Guangdong Juhua has become a leader of the next-generation display technology, and the product and technology innovations achieved through the platform have received many accolades in the industry.

For the years ended 31 December 2017, 2018 and 2019, revenue generated from the semi-conductor display and materials business amounted to RMB30,574.4 million, RMB27,666.4 million and RMB33,993.5 million, respectively, representing 27.4 per cent., 24.4 per cent. and 45.4 per cent., respectively, of the Group's total revenue for the same years.

Major Subsidiaries

The Group conducts the semi-conductor display and materials business primarily through the subsidiaries set out below:

- CSOT, along with its subsidiaries, namely Wuhan CSOT, Shenzhen China Star Optoelectronics Semiconductor Display Technology Co., Ltd., Wuhan China Star Optoelectronics Semiconductor Display Technology Co., Ltd. and CDOT, is mainly engaged in the R&D, production and sales of semi-conductor display panels and the collaborative management of semi-conductor display related businesses. In addition to further consolidating its leading position as a large-sized TV panel provider, CSOT is strengthening its product strengths in the area of small- and medium-sized panels through continuous technology innovation to increase its overall competitiveness. CSOT also seeks to accelerate its transformation towards a multi-application-scenario display interface provider (多應用場景顯示屆面提供商). CSOT seeks to expand the market share of its products with high added value to achieve higher profits, and promote the organisational structure optimisation and business model transformation to further improve efficiency and reduce costs.

- Guangdong Juhua, as a contractor of the "National Printed and Flexible Display Innovation Centre" (國家印刷及柔性顯示創新中心), is the only national innovation centre in China's display sector. Guangdong Juhua 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, Guangdong Juhua cooperates with universities, research institutes and internationally renowned materials and equipment companies to integrate resources within the industry and develop core technologies.

- China Ray is mainly engaged in the development of new OLED key materials with independent IP, focusing on evaporated OLED small molecule materials (蒸鍍型OLED小分子材料) and printed OLED materials (印刷型OLED材料).

The Group intends to further solidify its leading position in product and technology innovation and operational efficiency, increase its market share and improve its competitiveness in the industry through production ramp-up as well as technology and production process upgrades, to build a bigger and stronger business of semi-conductor display and materials by vertical extension to the upstream and downstream industrial chains and horizontal integration across the industry.

Principal Products and Manufacturing Facilities

The Group designs, develops, manufactures, assembles and markets a wide range of semi-conductor display products, which can be generally divided into two principal product categories: (i) large-sized panels, which include display panels for household screens, such as TVs, and commercial displays, such as PIDs; and (ii) small- and medium-sized panels, which include display panels for smart phones, vehicle mounted equipment and high-end products. In addition to display panels, the Group also designs and develops semi-conductor related key equipment and materials.

The Group manufactures semi-conductor display products primarily through CSOT. CSOT has two G8.5 and one G6 LTPS production lines running at full capacity for strong sales. Its G11 line, which is currently the highest generation in the world, has started production, and its G6 AMOLED line has begun operation. The construction of the G11 line of 8K and large-sized AMOLED is underway. These production lines are expected to significantly boost the Group's production capacity and expand its product offerings.

The table below sets forth certain information relating to production lines of CSOT as at the date of this Offering Circular:

Project	Generation	Production Type	Year of Mass Production
t1 project	G8.5	TFT-LCD production line	2011
t2 project	G8.5	TFT-LCD (including oxide semi-conductor and AMOLED) production line	2015
t3 project	G6	LTPS-LCD/AMOLED panel production	2018
t4 project	G6	flexible LTPS-AMOLED panel production line	2019
t6 project	G11	new TFT-LCD and AMOLED production line	2019
t7 project	G11	new UHD TFT-LCD and AMOLED production line	2021e[(1)]

Note:

(1) Represents the estimated year of mass production.

Large-sized Panels

For the years ended 31 December 2017, 2018 and 2019, the two G8.5 lines of CSOT, t1 and t2 projects, maintained full production and sales. The Group's TV display panels ranked first in the world in February 2020 in terms of shipment volume and third in the world in 2019 in terms of market share. The Group's 75-inch smart home display panels ranked first in the world in 2019 in terms of shipment volume. The Group's 65-inch smart home display panels ranked second in the world in 2019 in terms of shipment volume. The Group's commercial display panels ranked sixth in the world in 2019 in terms of shipment volume, among which the Group's 86-inch commercial display panels ranked second in the world in 2019 and the Group's 32-inch e-sports display panels ranked third in the world in 2019. The Group's 32-inch UD display panels ranked third in the world in 2019 in terms of shipment volume. The Group's 55-inch UD display panels ranked first in the world in 2019 in terms of shipment volume.

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, started production in November 2018 and reached its designed output in late 2019. The G11 UHD new display production line (t7 project), which started construction in November 2018, is for the production of 65-inch, 70-inch (21:9) and 75-inch 8K UHD display and AMOLED display products.

The first phase of CSOT's integrated intelligent module manufacturing base (the High Generation Module Project) (高世代模組項目) has been put into production, with an annual processing capacity of 40 million LCD modules. The second phase of the High Generation Module Project is expected to commence mass production in 2021, with a projected annual production capacity of 60 million LCD modules. Supporting the G8.5 and G11 production lines, this project is positioned to provide high-end and large-sized display modules to customers, and to further enhance the manufacturing capability of CSOT in the sector of semi-conductor displays.

Small- and Medium-sized Panels

Benefiting from a significant increase in the shipment to international top brand customers, the G6 LTPS-LCD production line (t3 project) achieved full production and sales in the fourth quarter of 2018, leading to notable year-on-year increases in market share and profitability. The G6 LTPS-AMOLED flexible production line (t4 project) started mass production in 2019, with the development and verification of key technologies well underway. CSOT's G4.5 flexible AMOLED production line on pilot run in Wuhan has provided technology and talent preparedness for the rapid ramp-up for mass production of t4 products. The Group's LTPS mobile phone panels ranked second in the world in 2019 in terms of shipment volume and second in the world in 2019 in terms of market share.

CSOT aims to fully deploy its existing capacity and technology strengths to transform towards a multi-application-scenario display interface provider. To achieve this goal, CSOT will continue to refine its existing product and customer mix and proactively develop display products for interactive whiteboards, tiled video walls, advertisement players, gaming and vehicles to expand into the market segments with high added value. It seeks to promote market demand with its multi-scenario display application, and improve its profitability with differentiated products with high added value.

Equipment and Materials

In the large-sized panel segment, Guangdong Juhua has successfully developed the 31-inch UHD (4K) Printed OLED (31吋超高清(4K)印刷型OLED顯示產品) and the 31-inch UHD Top-Emitting Printed H-QLED (31吋超高清頂發射印刷H-QLED顯示產品), the world's first product of printed

QLED combining the advantages of both electroluminescent quantum-dot materials and OLED materials to achieve a high resolution. As a contractor of the "National Printed and Flexible Display Innovation Centre", Guangdong Juhua is the only national innovation centre in China's display sector. Guangdong Juhua has developed the 31-inch 4K RGB QLED prototype for full quantum dot printing (31吋4K RGB全量子點印刷QLED樣機製備) and the world's first 31-inch rollable flexible prototype for ink-jet printing (31吋噴墨打印可捲繞柔性樣機) based on printing and flexible display technologies.

China Ray 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 have realised bulk supply. China Ray's red-light and green-light materials based on evaporation process (基於蒸鍍工藝的紅、綠光材料) enjoy an industry leading position and its red-light and green-light emitting materials and devices are in a leading position in China. China Ray has also achieved breakthroughs in blue-light emitting materials.

Research and Development

The semi-conductor display and materials industry has witnessed frequent and rapid changes in technology.

The Group is dedicated to R&D and application of new display technologies, materials and production processes based on CSOT's business platform. In producing large-sized panels, CSOT deploys the HVA technology in its high-end products. CSOT is the largest supplier for China's top six TV makers in terms of shipment volume in 2019 and a high-end supplier for Samsung and Sony. CSOT has been developing high-end 4K/8K products and the Mini-LED on TFT technology and products to further enlarge its market share for high-end products. As for small- and medium-sized panels, CSOT's LTPS technology in relation to the COF narrow frame and under-screen fingerprint recognition demonstrates its leading R&D capability and yield rate in the international market, accounting for over 80 per cent. of its supply to the world's top six handset makers. Flexible AMOLED developed by CSOT for foldable handsets began mass production in 2020.

The Group leverages Guangdong Juhua's "Printed and Flexible Display Technology Platform" to develop the next-generation new display technology and accelerate the development of materials for printed AMOLED, evaporated AMOLED and electroluminescent QLED. In respect of evaporated AMOLED, CSOT has completed technology development on the G4.5 line for pilot run, and its G6 flexible AMOLED production line has started production soon after being in operation. In the field of printed display, the "National Printed and Flexible Display Innovation Centre" of Guangdong Juhua is currently the only national innovation centre in China's display sector. Guangdong Juhua has successfully developed the 31-Inch 4K Printed OLED and the world's first 31-inch 4K Printed H-QLED prototype. China Ray has undertaken the national "Printed OLED Key Material Commercialisation Demonstration Programme" (印刷OLED顯示關鍵材料產業化示範項目), 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 life of red-light and green-light QLEDs, and its self-developed blue-light QLED has achieved the best performance in the world. The Group's research achievements have been published on the Nature Communications, a top international science magazine presenting industry-wide leading R&D achievements and development progress.

Procurement

The Group's manufacturing operations require adequate supplies of raw materials and components of the right quality on a timely basis. The Group purchases raw materials and components based on forecasts from its customers, as well as the Group's own assessments of its customers' needs.

The Group sources most of its raw materials and components, including critical materials such as glass substrates, liquid crystals, polariser and driver ICs, from a limited group of suppliers. To select qualified suppliers, the Group inspects potential suppliers on their quality systems, personnel qualification, equipment and facilities, material inspection, production process, production environment and processing capacity. The prices of these raw materials and components are subject to volatility. The Group is able to source part of its procurement needs within the Group. For example, in the second half of 2019, China Ray passed CSOT's inspection and became a supplier of CSOT since October 2019. In order to reduce the costs of raw materials and components and minimise supplier concentration, the Group generally purchases raw materials and components from multiple sources. In general, the Group enters into written supply contracts with suppliers to ensure a stable supply of necessary raw materials and components.

The Group uses a large amount of water and electricity in its manufacturing process. The Group mostly obtains water from state-owned entities and is in compliance with relevant local laws and regulations of water recovery rate. The Group uses electricity supplied by external power grids.

Sales and Marketing

The Group's semi-conductor display and materials business is subject to seasonal fluctuations commonly seen in the semi-conductor display industry, which in turn is affected by the seasonality of consumer demand and other end-products produced by its customers. The seasonality of the Group's sales may also be affected by various factors, including economic downturn, the Group's inventory management and certain special events such as government subsidies and sports events.

The Group sells its semi-conductor display and materials products mostly to brand companies and OEM service providers. The Group markets its products to, and negotiate prices with, both its OEM service provider customers and brand customers, as semi-conductor display panels often constitute a significant part of the end products. The Group organises sales and marketing activities targeting a number of large customers with whom the Group seeks to build long-term relationships. The Group has a dedicated sales and marketing division for each of its product categories. Each sales and marketing division is subdivided into smaller customer teams dedicated to each of the Group's major customers. The Group's customers typically provide monthly non-binding rolling forecasts of their requirements for the coming several months, and typically place purchase orders several weeks before the expected shipment date.

The Group generally provides a limited warranty to its customers, including the provision of replacement parts and after-sale services for its products. In connection with these warranty policies, based on the Group's historical experience, the Group sets aside an amount as a reserve to cover these warranty obligations. In addition, the Group is required under its several sales contracts to provide replacement parts for its products, at agreed prices, for a specified period of time.

The Group prices its products based on prevailing market conditions, giving consideration to factors such as the complexity of the product, the order size, the strengths and history of its relationship with the customer and its capacity utilisation. The Group's credit policy for sales to related parties and other customers typically requires payment to be received within 51 days. From time to time, the Group may extend longer credit terms to its large customers.

Quality Control

The Group believes that its superior product quality and customer services are the foundation for its continued success. The Group maintains a comprehensive quality assurance system. Using a variety of methods from conducting rigorous simulations during the product development process to evaluating supplier performance at various stages of the manufacturing process, the Group seeks to continue to improve its product quality and achieve customer satisfaction. In addition to monitoring customer satisfaction through regular reviews, the Group implements extensive supplier quality controls to achieve the high standards in product quality. Prior to engaging a supplier, the Group performs a series of audits on their operations, and after the engagement, the Group holds regular quality assurance meetings with suppliers, evaluating factors such as product quality, production costs, sophistication of technology and timeliness of delivery.

Intelligent Terminal Business

Overview

The Group previously engaged in intelligent terminal business. In April 2019, the Group spun off the intelligent terminal business to TCL Holdings to implement its overall business strategy and in light of the industry and market outlook. The Group's intelligent terminal business consisted primarily of the development, manufacture and sales of consumer electronics and household electric appliances as well as the provision of smart services. The Group conducted the intelligent terminal business primarily through TCL Electronics Holdings Limited (TCL電子控股有限公司) ("**TCL Electronic**") (01070. HK) (previously known as TCL Multimedia Technology Holdings Limited (TCL多媒體科技控股有限公司)), TCL Communication Technology Holdings Limited (TCL通訊科技控股有限公司) ("**TCL Communication**"), Huizhou TCL Household Electric

Appliance Group Co., Ltd. and TCL Home Appliances (Hefei) Co., Ltd. (collectively, "**TCL Household Electric Appliance Group**"), and Tonly Electronics Holdings Limited (通力電子控股有限公司) ("**Tonly Electronic**") (01249. HK).

TCL Electronics is mainly engaged in the R&D, manufacture and sales of TV sets, smart AVs and TV related components, as well as the sales of smart home products, white goods, mobile phones and air conditioners. It also provides users with internet value-added services and system solutions. TCL Communication, as a smart devices manufacturer and internet application service provider, designs, manufactures and markets an expanding portfolio of mobile and internet products worldwide under three key brands, namely, TCL, Alcatel and BlackBerry. 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. Tonly Electronics is a leading vertically integrated manufacturing service provider in the AV product and wireless smart product market. Tonly Electronics is principally engaged in the R&D, manufacturing and sales of audio products, headphones, video products, IoT related products and ancillary products for third parties' brands on an ODM basis.

The Group achieved significant milestones in the consumer electronics market. Specifically, the Group's TVs won the "China Innovation Brand Award" at the 2018 International Consumer Electronics Show; the "China Innovative Product Award"; "2017-2018 Top 10 Consumer Electronics Brands" and "2017-2018 Global Top 50 Consumer Electronics Brands" in the 2017-2018 Global Top Brands Award Ceremony.

For the years ended 31 December 2017, 2018 and 2019, revenue generated from intelligent terminal business amounted to RMB73,830.7 million, RMB77,791.6 million and RMB20,167.4 million, respectively, representing 66.2 per cent., 68.6 per cent. and 26.9 per cent., respectively, of the Group's total revenue for the same years.

Principal Products and Services

The intelligent terminal business developed, manufactured and sold a wide range of consumer electronics products and household electric appliance products and provided various smart services, which could be broadly divided into four principal categories: (i) wide-screen display terminals and internet value-added services; (ii) mobile terminal products and services; (iii) AV products and wireless smart products; and (iv) household electric appliances.

The intelligent terminal industry has seen rapid technological development, evolving industry standards, changes in customer requirements, and continuous roll-out of new products and product upgrades. The Group invested in R&D activities to introduce competitive products and innovative solutions and maintained its leadership in the intelligent terminal industry.

Wide-screen Display Terminals and Internet Value-added Services

The wide-screen display terminals produced by the Group included LCD TV sets with the resolution in HD, FHD or 4K. The Group continuously upgraded its wide-screen display terminals. In 2018, TCL Electronics implemented at full strength the "Intelligent Manufacturing + Internet" new business model and entered into the smart TV market, aiming at developing a proprietary smart home system centred on smart TV, and establishing an open smart platform.

The Group sought to combine wide-screen display terminals with internet value-added services. The open AI technology framework in the TV industry established by the Group connects to various businesses and effects autonomous control based on users' intention, thereby improving user experience and cultivating user habits to use large-screen TVs as Internet terminals.

Mobile Terminal Products and Services

The mobile terminal products manufactured by the Group mainly included handsets, tablets, big pad and wearable devices. The Group had a mobile handset product portfolio that included devices from Alcatel, BlackBerry and TCL and developed a variety of products with new functions.

Meanwhile, adhering to its "Internet +" strategy, the Group achieved the integration of internet and hardware by utilising the internet platform and information communication technology to promote transformation in various industry sectors, and actively encouraged further upgrades for applications. The cloud services, mobile internet application platforms, Online Financial Service Platform and the TCL Smart Home have been established.

AV Products and Wireless Smart Products

The AV products and wireless smart products manufactured by the Group generally included five categories, namely, (i) audio products, mainly smart voice speakers, wireless speakers, soundbars, home theatres and mini speakers; (ii) headphones, mainly DVD players, BD players and over the top set top boxes; (iii) video products, mainly smart plugs, smart gateways and other IoT products; (iv) IoT related products, mainly fabric covering for external sales, plastic injection structural parts, speakers and wireless modules; and (v) ancillary products.

Household Electric Appliance

The Group offered a broad range of household electric appliances, including air conditioners, refrigerators, washing machines and health electrical products catering to the high-end, mid-range and budget markets.

Procurement

The raw materials and components the Group used to manufacture intelligent terminal products include electrical and electronic components, such as chips, circuit boards and optic components, as well as servers and accessories. The Group sourced a majority of these raw materials and components from leading suppliers of telecommunications components and IT equipment, with whom the Group has long-term business relationships.

Specifically, TCL Electronic mainly purchases raw materials including LCD screen, backlight material, IC chip, backlight strip, plastic grain, wire rod and hardware, among which LCD screen accounts for a major proportion. The main suppliers include CSOT, Samsung, Qimei (奇美) and AU Optronics (友達). TCL Communication mainly purchases raw materials including LCD liquid display modules, ICs, shell materials, molds and other electronic materials. Its main suppliers include Qualcomm CDMA Technology Asia Pacific Pte Co., Ltd., Media Tek Inc. and WPI International (HK) Ltd. The raw materials of the household electric appliance business are mainly compressor, copper, aluminium, electric control of motor, chip and refrigerant.

The Group seeks to avoid single-source supplier solutions. For most of the raw materials and components of the intelligent terminal business, the Group adopted a multiple-supplier strategy to diversify the sources of supply and reduce concentration risks. For a particular component that is available only from one supplier or a limited number of suppliers, the Group typically enters into guaranteed product supply arrangements with such suppliers, which gives the Group the right to receive supplies on a priority basis and to claim compensations or other remedies if such supplier fails to meet its quality or quantity requirements.

Sales and Marketing

The Group's intelligent terminal products were globally distributed through network carriers, distributors and resellers. The Group adopted a diversified channel strategy for its intelligent terminal products. In addition to developing open channels and retail outlets, the Group also established strategic business relations with top distributors and retailers in the PRC and worldwide to help promote sales. Some of the Group's consumer devices were distributed through e-commerce channels, such as its own online platform TCL.com and other platforms like JD.com.

Specifically, the Group sold LCD TV sets globally by adopting the sub-regional sales model. Based on the specific business characteristics of each sub-region, the global market is divided into five global business centres, namely, mainland China, Europe, North America, emerging markets and others. Different selling strategies are narrowly tailored to each business centres. The Group sold mobile terminal products in the overseas markets by bundling and customisation with mainstream operators like Vodafone and Orange. In the PRC market, the Group's mobile terminal products were sold through operators and sales agents. The Group's key business partners on intelligent terminal products included China Mobile (中國移動), China Unicom (中國聯通), China Telecom (中國電信), Suning (蘇寧), China Putian (中國普天), Hengdahe (恒大和), AiSiDi (愛施

德), Dixintong (迪信通) and JD.com. The household electronic products were sold in China through home appliance chains, supermarkets, e-commerce and other platforms. The overseas sales were mainly in Europe, America and Asia markets.

The Group established a global after-sales network for intelligent terminal products consisting of hotline services, local after-sales branches and third-party service providers and/or service centres. The Group's after-sales services covered professional installation upon delivery, return or exchange of defective products, repairs, cleaning and maintenance and recycling. The Group adopted multifaceted monitoring and appraisal methodologies to closely monitor after-sales services provided directly and by third-party providers. The Group conducted appraisals on its third-party service providers on a regular basis using the following criteria: customer satisfaction rates, timeliness of service and complaint ratios.

Industrial Finance and Investment

Overview

The Group has developed a diversified portfolio of industrial finance and investments, which provides synergies to its core business operations. The Group's industrial finance and investment business can be broadly categorised into TCL finance and TCL capital business groups. TCL finance includes internal finance services primarily within the Group and its affiliates ("**TCL Members**") and supply chain finance consisting primarily of industry chain finance and consumer finance. TCL capital includes investment in both startups by setting up venture capital funds and listed companies by utilising diversified investment tools. The Group also provides various advisory services in connection with securities and asset management.

For the years ended 31 December 2017, 2018 and 2019, revenue generated from the industrial finance and investment business amounted to RMB226.9 million, RMB312.1 million and RMB346.9 million, respectively, representing 0.2 per cent., 0.3 per cent. and 0.5 per cent., respectively, of the Group's total revenue for the same years.

TCL Finance

The Group is dedicated to establishing an industry financial platform and ecosystem to achieve the long-term goal of promoting its core business operations with internal and external funding, covering large-scale upstream and downstream industry chain enterprises and business partners and millions of consumers.

The Group conducts the TCL finance business primarily through acting as a finance provider who (i) directly lends to TCL Members on commercial terms or assists with external financing; (ii) provides supply chain finance services for TCL Members and enterprises within its supply chain; and (iii) lends to consumers with no collateral and at comparative low interest rate.

Internal Finance Services

The Group offers internal finance services to TCL Members through lending on commercial terms or assisting with external financing, so as to ensure sufficient funding for the Group's development and to enhance the efficiency of the Group's capital operations and improve the Group's liquidity position and risk control capability. As at 31 December 2019, the Group provided approximately RMB10.0 billion as project financing funds for TCL Members. As at the same date, the Group's foreign exchange risk hedging ratio reached 97 per cent. The Group's operational efficiency increased by one tenth in 2019 from 2018.

The Group provides its internal finance services mainly through TCL Finance Co., Ltd. Its internal finance services consist primarily of the following asset management services:

- Deposits and loans: The Group takes deposits from certain TCL Members and lends to others on commercial terms. Interest rates on deposits and loans are based on internal preferential interest rates. In addition, the Group also provides entrusted payment and settlement services.

- Bill acceptance and discounting: A TCL Member issues a commercial bill and the Group accepts primary liability and guarantees the payment on the maturity date of such bill while the member remains secondarily liable as drawer of the bill. The Group's acceptance is typically a method for TCL Members to obtain short-term financing by way of acceptance credits. A member may also sell an accepted bill for early payment to the Group at less than face value after the Group deducts fees and applicable interest charges. The member company can obtain cash instantly and fulfil its needs for operating activities while the Group collects full value on the bill when payment comes due.

Supply Chain Finance

The Group provides supply chain finance services to small- and medium-sized upstream and downstream enterprises and their employees. As at 31 December 2019, the Group supplied an aggregate amount of approximately RMB9.4 billion financing funds, serving over 10,000 small- and medium-sized enterprises and approximately 8,500 of their employees.

The Group's supply chain finance business can be broadly categorised into industry chain finance and consumer finance.

Industry Chain Finance

The Group's industry chain finance serves mainly small- and medium-sized companies covering upstream and downstream industry chains of semi-conductor display and materials. Industry chain finance provides efficient financing of the value chain, where both parties (buyer and seller) can reduce working capital and improve cash flow at a lower cost by utilising the buyer's credit rating. It provides short-term credit, which can optimise cash flow by allowing buyers to lengthen their payment terms while providing suppliers with the option to receive payments earlier.

In conducting the industry chain finance business, the Group, as finance provider, settles supplier invoices in advance of the invoice maturity dates for lower financing costs than the suppliers' own sources of funds. The following presents a brief description of the work flow of the Group's industry chain finance business:

- Order and invoice: After ordering from the buyer (a TCL Member), the supplier then fulfils the order and invoices the buyer.

- Approval and confirmation: The buyer approves the supplier's invoices and confirms that it will pay the finance provider upon the maturity of the invoices.

- Invoice sale: The supplier sells the invoices to the finance provider at a predetermined discount rate and receives the funds straight away.

- Repayment: The buyer pays the finance provider as agreed at maturity of the invoices.

Consumer Finance

The Group provides online micro-financing products, particularly instalment loans with a point of sale or purchase scenario and a specified usage, to quality consumers through its internet platform. The Group has been involved in, and will continue to optimise, its big data risk management platform leveraging the user data analytics and behaviour model techniques.

Financial Investment

The Group has also invested in reputable financial institutions such as Bank of Shanghai Co., Ltd. (上海銀行股份有限公司), Hubei Consumer Finance Co., Ltd. (湖北消費金融股份有限公司) and Huizhou Rural Commercial Bank Co., Ltd. (惠州農村商業銀行股份有限公司), in order to further develop the Group's investment and wealth management portfolio. For the year ended 31 December 2019, the Group's financial expense to operating revenue ratio was less than 1.1 per cent.

TCL Capital

The Group focuses on investment in both startups by setting up venture capital funds and listed companies by utilising diversified investment tools. In addition, the Group also provides various advisory services in connection with securities and asset management. Leveraging its expertise in semiconductor and materials industry, the Group focuses on new technologies, materials and applications which are related to the Group's core business and in line with the Group's strategic planning, and has invested in various industries with investment potential, including but not limited to, technology, media and telecom, AI, semi-conductor, medicine, green energy, new materials and big data.

The Group makes equity investment generally as a strategic investor or a financial investor. As a strategic investor, the Group generally aims to form long-term investment cooperation with the target company to seek long-term returns and sustainable development. As a financial investor, the Group generally makes relatively short-term equity investments for the purpose of making profits by exiting at a proper time to achieve economic returns.

The Group's revenue from the TCL capital business consists primarily of profit distribution from target companies, subsidies from national or provincial governments for venture capital, sale or redemption of equity interests in target companies, and sale of shares after initial public offerings of the target companies. Subject to market conditions and its investment strategies, the Group typically exits by dissolution, transfer of equity interests, redemption of investment and sale of shares after public listing.

Investment in Startups

The Group has directly invested in quality enterprises in their early stage of development primarily through its wholly owned subsidiary Xinjiang TCL Equity Investment Co., Ltd. (新疆TCL股權投資有限公司). As at 31 December 2019, the assets under management by Xinjiang TCL Equity Investment Co., Ltd. amounted to RMB8.99 billion. The Group had invested in an aggregate of 115 projects and successfully exited 33 projects as at 31 December 2019. The Group has invested in several startups covering new energy battery, AI, smart chip, new conductive material, display chip and semi-conductor chip research which are expected to create industrial synergies to the Group. These startups include Cambricon (寒武紀), DKEM (無錫帝科), Transwarp (星環科技), Sensetime (商湯科技), Chipone (集創北方) and Hypower Microelectronics (瀚昕微電子). In addition, among the investee companies, certain startups, such as Contemporary Amperex Technology Co., Limited (寧德時代新能源科技股份有限公司) (300750. CHINEXT) and Shenzhen Dynanonic Co., Ltd. (深圳市德方納米科技股份有限公司) (300769. SZ), have become listed public companies. Certain other investees, such as Beijing Superpix Micro Technology Co., Ltd (北京思比科微電子技術股份有限公司) and Zhuhai Radiance Electric Co., Ltd. (珠海瑞捷電氣股份有限公司), have also completed the process of mergers and acquisitions. As at 31 December 2019, the Group successfully exited seven investment projects with a total capital gain of approximately RMB580 million.

The Group has sourced investment opportunities from a wide range of channels, including but not limited to, direct investment opportunities recommended or referred by the investment banking departments of securities firms, strategic cooperation and joint investment, referrals, client resources shared by its business partners and other opportunities arising from the extension of the Group's industry chain.

Investment in Listed Companies

The Group has invested in listed companies primarily through the Company, Xinjiang TCL Equity Investment Co., Ltd. and China Innovative Capital Management Co., Ltd. (中新融創資本管理有限公司) ("**China Innovative Capital Company**"). As at 31 December 2019, the value of assets under the management of China Innovative Capital Company was approximately RMB10.0 billion. As at the same date, the Group successfully exited a number of investment projects amounting to RMB4.0 billion. China Innovative Capital Company has also successfully raised RMB2.0 billion and RMB2.5 billion for the set-up of Guangdong Rongchuang Lingyue Intelligent Manufacturing and Information Technology Industry Equity Investment Fund Partnership Enterprise (Limited Partnership) (廣東融創嶺岳智能製造與信息技術產業股權投資基金合夥企業(有限合夥)) and Tianjin Guidance Fund, respectively. Both funds have obtained the local government's preliminary approvals.

The Group has invested in a number of high profile listed companies, including, for example, an equity interest of approximately 19.1 per cent. in Tianjin 712 Communication & Broadcasting Co., Ltd. (天津七一二通信廣播股份有限公司) (603712. SH), approximately 20.1 per cent. in Fantasia Holdings Group Co., Ltd. (花樣年控股集團有限公司) (01777. HK) and approximately 5.1 per cent. in Bank of Shanghai Co., Ltd. (601229. SH) as at 31 December 2019.

Advisory Services

In addition, the Group provides advisory services through its subsidiary Admiralty Harbour Capital Limited, a financial institution licensed by the Securities and Futures Commission of Hong Kong to engage in securities trading, to provide securities-related advice and to offer asset management service. The Group's expertise in advisory services has facilitated the Group's initiatives on mergers and acquisitions and restructuring, as well as the Group's expansion to overseas markets. As at 31 December 2019, the value of assets under the management of Admiralty Harbour Capital Limited exceeded HK$2.8 billion. In 2019, the Group had provided advisory services on 12 debt issuances, generating approximately HK$52.8 million in revenue.

Other Business

Overview

The Group has engaged in certain other business which provides synergies to its core business operations. The Group's other business consists primarily of electronics distribution and IT services business. The Group previously also provided online education and environmental services.

For the years ended 31 December 2017, 2018 and 2019, revenue generated from its other business amounted to RMB6,945.4 million, RMB7,590.0 million and RMB20,425.3 million, respectively, representing 6.2 per cent., 6.7 per cent. and 27.3 per cent., respectively, of the Group's total revenue for the same years.

Electronics Distribution and IT services

The Group conducts its electronic distribution and IT services business primarily through its subsidiary Highly Information. Highly Information provides various electronics products and services primarily including product sales, logistics, warehousing, after-sale services and enterprise-grade product solutions.

The Group primarily cooperates with domestic and international electronics manufacturers, such as Lenovo, Dell, Apple and Samsung, to distribute electronics products primarily through e-commerce platforms like JD.com and dangdang.com (當當網) as well as physical retail outlets like Suning.com (蘇寧易購) and Gome (國美). In addition to individual customers, the Group also targets corporate customers consisting primarily of local governments, financial institutions, multinational corporations and mobile telecommunication service providers. The Group sells electronics products and provides enterprise-grade product solutions, including IoT, data centre, cyber security and cloud computing, to these corporate customers.

Online Education

The Group conducted its online education business mainly through its subsidiaries TCL Educational Web and Open Edutainment. Open Edutainment is a large online diploma and certificate education service provider in the PRC with broad coverage and a large number of training centres. As at 31 December 2019, there were approximately 7.16 million registered users of Massive Open Online Courses (慕課網), an online internet diploma and certificate education service platform run by Open Edutainment. The Group also built an online Confucius institute focusing on Chinese Proficiency Test training and a vocational education training system, consisting primarily of enterprise training, labour union training and mental health counselling training.

On 25 March 2020, the Group entered into a share transfer agreement to sell its 100 per cent. equity interest in TCL Educational Web to Minsheng Education. The Group no longer engages in online education business since 30 March 2020 in accordance with the Share Transfer Agreement. See "*— Recent Developments — Proposed Disposal of TCL Educational Web*" for details.

Environmental Services

The Group conducted environmental services, including waste treatment and resource recycling, mainly through its subsidiary Huizhou TCL Environmental Resource Co., Ltd. (惠州TCL環保資源有限公司). The Group focused on treatment of industrial hazardous wastes and home appliance wastes. In November 2019, the Group transferred 71 per cent. equity interest in Huizhou TCL Environmental Resource Co., Ltd. to TCL Industries at a total price of RMB274.9 million. Upon the completion of the transaction in November 2019, the Group held 20 per cent. equity interest in Huizhou TCL Environmental Resource Co., Ltd. The Group no longer engages in environmental service business since November 2019.

COMPETITION

Through reform and reorganisations, the Group primarily focuses on semi-conductor display and related business. The semi-conductor display industry is highly competitive. The Group competes internationally and domestically with other TFT-LCD display and materials manufacturers. The Group's main competitors are other manufacturers of semi-conductor display and materials, such as LG Display, Samsung, AU Optronics, CEC Panda and BOE Technologies. The Group also compete with manufacturers of displays employing innovative technologies, such as AMOLED. The Group's ability to compete successfully depends on factors both within and outside its control.

Competitive factors in the semi-conductor display industry include:

- price and quality of products;
- technology and R&D;
- product features;
- manufacturing capacity and flexibility;
- supply chain management; and
- customer service.

There is no assurance that the Group will be able to compete successfully with its competitors on these fronts and, as a result, the Group may be unable to sustain our current market position.

The Group continues its efforts on R&D to broaden its product and technology platforms and enhance its product competitiveness, which enables the Group to extend its reach to different end products to diversify its sources of revenue and profit, and, in turn, reduce its dependence on one single type of product. In addition, the Group continues to strengthen its customer relationship and refine its sales strategy, in order to maintain a robust profitability.

RISK MANAGEMENT AND INTERNAL CONTROL

The Group is committed to establishing a comprehensive risk management system that is integral to its business operations. The Group places great importance on internal control, an integral part of its overall risk management. The Group has established a comprehensive system to oversee and manage its finance, human resources, projects, financing and investments, operations and other matters of its subsidiaries, third-party guarantees, production safety, related party transactions, information disclosure, emergency incidents and capital operations.

The Group has also established a risk management system to ensure its compliance with regulatory requirements and to implement control measures to lower operational and investment risks. The risk management system covers different aspects of the Group's operations, including the management of budget, finance, guarantees, remunerations, safety production, subsidiaries, investment and financing, related party transactions, information disclosure and emergency management.

Each level and department throughout the Group is fully informed and kept updated of such internal control and risk management policies. These rules and regulations primarily include the Rules Governing Major Investments of TCL Tech. Group (TCL科技集團股份有限公司重大投資管理制度), the Internal Control Rules for Venture Capital of TCL Tech. Group (TCL科技集團股份有限公司風險投資內控制度) and the Majority-owned Subsidiary Management Measures of TCL Tech. Group (TCL科技集團股份有限公司控股子公司管理辦法). Such a systematic approach to business management adopted by the Group has allowed its business operations to be conducted in a disciplined manner, yielding effective results. The Group conducts its investment projects in strict compliance with applicable laws, rules and regulations as well as relevant contractual terms. The Group generally undertakes its investment decisions based on the proportional scale of its asset size.

INTELLECTUAL PROPERTY

The Group's intellectual property rights primarily consist of patents, trademarks and domain names that the Group uses in its operations. The Group operates its business under "TCL". The Group filed 2,752 patent applications under the PCT in 2019. The Group had filed an aggregate of 11,261 patent applications under the PCT all over the world, including Europe, the United States and South Korea, by the end of 2019. The Group also uses registered domain names to promote its products and services and enhance public awareness of its business. As at the date of this Offering Circular, the Group is not aware of any material infringement (i) by the Group of any intellectual property rights owned by third parties or (ii) by any third parties of any intellectual property rights owned by the Group.

INFORMATION TECHNOLOGY

The Group recognises the importance of information technology, and believes information technology is a key component required to support its business growth and internal control. The Group has established several information systems for its core businesses and its subsidiaries and information technology risk management procedures in accordance with relevant industry regulatory requirements. From time to time, the Group procures new or upgrades existing information systems based on its business needs. As at the date of this Offering Circular, the Group has not suffered any material information technology system failures or related losses.

ENVIRONMENTAL PROTECTION

The Group is subject to environmental laws and regulations governing air pollution, noise emissions, hazardous substances, water and waste discharge and other environmental matters issued by relevant governmental authorities in the jurisdictions in which it operates, including the PRC. The Group is in compliance, in all material respects, with applicable environmental regulations. As at the date of the Offering Circular, the Group is not aware of any material environmental proceedings or investigations to which it is or might become a party.

INSURANCE

The Group maintains insurance coverage in the areas where it operates. The Group maintains insurance coverage in amounts that the Group believes are commensurate with its risk of loss and the customary practices in the relevant industries. The Company maintains liability insurance for its directors, supervisors and senior management. Consistent with the customary practice in the PRC, the Group does not carry any third-party liability insurance to cover claims in respect of personal injuries or property or environmental damages arising from accidents on its property or relating to its operations, nor does the Group carry any business interruption insurance or key-man life insurance on its key employees.

EMPLOYEES

As at 31 December 2019, the Company had 226 full-time employees. In accordance with the applicable regulations of local governments in the regions where the Group has business operations, the Group makes contributions to the statutory pension plan, medical insurance, unemployment insurance, maternity insurance and workers' compensation insurance. The amount of contributions is based on the specified percentages of employees' aggregate salaries set by relevant PRC authorities. The Group also makes contributions to the employee housing funds according to applicable PRC regulations. In addition to statutory contributions, the Group provides annual bonuses to employees. The Group enters into an employment contract with each of its employees in accordance with applicable PRC laws. Such contracts generally include provisions on wages, vacation, employee benefits, training programmes, health and safety, confidentiality obligations and grounds for termination. The Group has entered into non-competition agreements with senior management and certain key members of its R&D team and other employees who have access to trade secrets or confidential information about its business,

As at the date of this Offering Circular, there are no material disruptions to the Group's operations due to labour disputes which would have a material adverse effect on the Group's business or financial condition.

PROPERTIES AND FACILITIES

The Group's executive offices and major operational facilities are located in Guangdong and Hubei, most of which are owned by the Group. Currently, the Group runs six production lines in the PRC for manufacturing semi-conductor display and related materials. See "— *Description of the Group's Business — Semi-conductor Display and Materials Business*" for more information. The Group may undertake further expansion projects in the future with respect to its existing production lines as its overall business strategy may require.

LEGAL PROCEEDINGS

From time to time, the Group may be involved in legal proceedings or other disputes in the ordinary course of its business.

As at the date of this Offering Circular, the Group is not aware of any legal proceedings, claims, disputes, penalties or liabilities currently pending or threatened against the Group that may have a material adverse impact on its business, financial condition or results of operations.

DIRECTORS

The board of directors of the Company (the "**Board**") consists of nine directors, including the chairman of the Board, one deputy chairman of the Board, three directors and four independent directors. The main responsibilities of the Board include, without limitation, convening shareholders' meeting and reporting to shareholders; determining operation and investment plans, annual investment plans and investment proposals; formulating annual budget, profit sharing and loss recovery plans, plans for increase or decrease of registered capital and issuance of debt securities; drafting plans on mergers, spinoffs, changes of corporate forms as well as the winding up and dissolution of the Company; determining internal management structure of the Company and the establishment and dissolution of subsidiaries; appointing, removing and determining the remuneration of senior management; making proposals on the amendment of the Company's articles of association; determining the major management systems and managing information disclosures of the Company; and other responsibilities granted by the Company's shareholders.

The following table sets forth the Company's directors as at the date of this Offering Circular:

Name	Age	Position/Title
Mr. LI Dongsheng (李東生)	63	Chairman of the Board and chief executive officer
Mr. LIU Bin (劉斌).	50	Deputy chairman of the Board
Ms. DU Juan (杜娟)	50	Director, chief operating officer and chief financial officer
Mr. LIAO Qian (廖騫)	40	Director, secretary of the Board and vice president
Mr. KIM Woo Shik (金旴植). . . .	64	Director and senior vice president
Ms. LU Xin (盧馨)	56	Independent director
Mr. ZHOU Guofu (周國富)	55	Independent director
Mr. YAN Yan (閻焱)	62	Independent director
Mr. LIU Xunci (劉薰詞)	60	Independent director

Mr. LI Dongsheng (李東生), aged 63, is the founder, chairman of the Board and chief executive officer of the Company. Mr. Li currently also serves as the chairman of the board of directors of TCL Industries, an independent director of Tencent Holdings Ltd. (騰訊控股有限公司), a non-executive director of Fantasia Holdings Group Co., Ltd. and the assigned representative of an executive partner of Xinjiang Jiutianliancheng Equity Investment Partnership (Limited Partnership) (新疆九天聯成股權投資合夥企業(有限合夥)). Mr. Li has also held various positions in social organisations including serving as a vice president of All-China Federation of Industry and Commerce (中華全國工商業聯合會), the president of China Video Industry Association (中國電子視像行業協會), a deputy head of China Chamber of International Commerce (中國國際商會), the president of Guangdong Provincial Enterprise Confederation (廣東省企業聯合會), Guangdong Provincial Association of Entrepreneurs (廣東省企業家協會) and Guangdong Electrical Appliances Chamber of Commerce (廣東省家電商會), the honorary president of the Education Development Foundation of South China University of Technology (華南理工大學教育發展基金會), a deputy head of the Alumni Association of South China University of Technology (華南理工大學校友總會), a member of the Council of South China University of Technology (華南理工大學理事會). Mr. Li has been listed on the List of 100 outstanding Chinese private entrepreneurs at the 40th anniversary of China's reform and opening-up (改革開放40年百名傑出民營企業家名單) released by the United Front Work Department of the CPC Central Committee (中央統戰部) and the All-China Federation of Industry and Commerce. Mr. Li is a visiting professor of Wuhan University (武漢大學) and an honorary professor of Beijing Institute of Technology (北京理工大學).

Mr. Li previously served as a technician, a workshop director (車間主任), and the head of the Production Department (生產部) of Huizhou TTK Household Appliances Co., Ltd. (惠州TTK家庭電器有限公司), the first general manager of TCL Communication Equipment (Huizhou) Co., Ltd. (TCL通訊設備(惠州)有限公司) (previously known as TCL Communication Equipment Co., Ltd. (TCL通訊設備股份有限公司)), a director of the Introduction Department (引進部) of Huizhou Industrial Development Company (惠州市工業發展總公司), a deputy general manager of Huizhou Electronics Communication Company (惠州市電子通訊總公司), the general manager of TCL Electronics and the chairman of the board of directors and the president of the Company. Mr. Li was elected as a member of the 16th National Congress of the Party Committee and the 10th, 11th and 12th National People's Congress. Mr. Li was named as "CCTV Economic Person of the Year 2002 (CCTV2002中國經濟年度人物)". Mr. Li obtained a bachelor's degree in radio technology from South China University of Technology.

Mr. LIU Bin (劉斌), aged 50, is the deputy chairman of the Board of the Company. Mr. Liu currently also serves as the general manager at deputy division level (副處級) and the chairman of the board of directors of Huizhou Investment Holding Co., Ltd. (惠州市投資控股有限公司) as well as the chairman of the board of directors of Huizhou Financing Guarantee Co., Ltd. (惠州市融資擔保有限公司) and Huizhou Investment Holding Asset Operation Co., Ltd. (惠州市投資控股資產運營有限公司). Mr. Liu previously held various positions in Huizhou Economy and Trade Group Co., Ltd. (惠州經貿集團股份有限公司), including serving as a secretary, an administrative assistant and an assistant at deputy section level (副科級) of the general manager, a deputy general manager and the general manager. Mr. Liu previously also served as a deputy manager of the General Office of Huizhou Shunjie Foreign Investment Service Co., Ltd. (惠州市順捷外商投資服務有限公司) (previously known as Huizhou Foreign Investment Service Corporation (惠州市外商投資服務總公司)), a manager at section level of Guangdong Huizhou Tea Import and Export Company (廣東惠州茶業進出口公司), a deputy general manager, a director and the chairman of the board of directors of Huizhou Waterway Investment and Construction Co., Ltd. (惠州市航道投資建設有限公司), a supervisor and the chairman of the board of the supervisors of the Company, and a director of Utrust Huipu Finance (Huizhou) Financing Guarantee Co., Ltd. (粵財普惠金融(惠州)融資擔保股份有限公司). Mr. Liu is an assistant economist and obtained a bachelor's degree in management engineering from South China University of Technology in 1992.

Ms. DU Juan (杜娟), aged 50, is a director, the chief operating officer and chief financial officer of the Company. Ms. Du currently also serves as a director of TCL Industries, Bank of Shanghai Co., Ltd. and TCL Technology Industrial Park Co., Ltd., the president and the chairman of the board of directors of TCL Financial Holding Group (Guangzhou) Co., Ltd. (TCL金融控股集團(廣州)有限公司) as well as the chairman of the board of directors of Getech Co., Ltd.. Ms. Du was previously an employee of China Construction Bank Co., Ltd., Huizhou Branch (中國建設銀行股份有限公司惠州市分行), the general manager of the Settlement Centre (結算中心) of the Company and the general manager of TCL Finance Co., Ltd. as well as a deputy president of the Company. Ms. Du obtained a bachelor's degree in investment from Zhongnan University of Economics and Law (中南財經政法大學) and a degree of executive master of business administration from Cheung Kong Graduate School of Business (長江商學院).

Mr. LIAO Qian (廖騫), aged 40, is a director, vice president, secretary of the Board, deputy director of the Investment Management Committee (投資管理委員會) and member of the Executive Committee of the Company. Mr. Liao currently serves as a director in several companies, including TCL Communication, TCL Financial Holding Group (Guangzhou) Co., Ltd. (previously known as TCL Financial Holding Group (Shenzhen) Co., Ltd. (TCL金融控股集團(深圳)有限公司)), TCL Smart Home Technologies Co., Ltd. (TCL智能家庭科技有限公司), Highly Information, Huizhou Cool Friends Internet Technology Co., Ltd., Speedex Co., Ltd. (速必達希傑物流有限公司), Shenzhen Hawk Internet Co., Ltd. (深圳豪客互聯網有限公司) and TCL Culture Media (Shenzhen) Co., Ltd. (TCL文化傳媒(深圳)有限公司). Mr. Liao currently also serves as an independent director of JiaWei Renewable Energy Co., Ltd. (珈偉新能源股份有限公司) (previously known as Shenzhen Jiawei Photovoltaic Lighting Co., Ltd. (深圳珈偉光伏照明股份有限公司)), a non-executive director of Fantasia Holdings Group Co., Ltd., the chairman of the board of directors of TCL Tonly Electronics (Huizhou) Co., Ltd. (TCL通力電子(惠州)有限公司) and CDOT as well as a deputy chairman of the board of directors of Tianjin 712 Communication & Broadcasting Co., Ltd.. Mr. Liao previously served as a senior manager and the general manager of the Financial Advisory Department of Guotai Junan International Holdings Limited (國泰君安國際控股有限公司) and the general director of the Institutional Client Department of Guotai Junan Securities Co., Ltd. (國泰君安證券股份有限公司). Mr. Liao passed the National Legal Professional Qualification Examination. Mr. Liao is a senior economist and obtained a bachelor's degree in economics from Fuzhou University (福州大學) in 2002 and a master's degree in law from Yunnan University (雲南大學) in 2006.

Mr. KIM Woo Shik (金旴植), aged 64, is a senior vice president and director of the Company. Mr. Kim currently serves as the chief executive officer and director of CSOT. Mr. Kim previously served as the director of the IT Department (IT事業部) and a deputy head of LG Display Co., Ltd. (韓國LG顯示有限公司) (previously known as LG.Philips Display Co., Ltd) (LG Philips液晶顯示有限公司)) and a senior consultant of Fuhrmeister Electronics Co., Ltd. (日本東京Fuhrmeister電子有限公司). Mr. Kim previously also held various positions in CSOT, including serving as a senior deputy president, the president and the chief executive officer. Mr. Kim obtained a master's degree in materials engineering from Yonsei University (韓國延世大學) and a master's degree in business administration from McGill University (加拿大麥吉爾大學).

Ms. LU Xin (盧馨), aged 56, is an independent director of the Company. Ms. Lu currently serves as a professor in accounting of the Management School and deputy director of the Management Accounting Research Center of Jinan University (暨南大學) as well as a deputy head of Taimeng Guangdong Provincial Committee (臺灣民主自治同盟廣東省委員會). Ms. Lu currently also serves as an independent director in several companies, including Kingfa Sci & Tech. Co., Ltd. (金髮科技股份有限公司), PCI-Suntek Technology Co., Ltd. (佳都新太科技股份有限公司), Guangdong Evergreen Feed Industry Co., Ltd. (廣東恒興飼料實業股份有限公司) and Medprin Regenerative Medical Technologies Co., Ltd. (廣州邁普再生醫學科技股份有限公司). Ms. Lu was previously an employee of Liaoning University (遼寧大學) and a member of the 12th National People's Congress. Ms. Lu obtained a doctor's degree in management from Renmin University of China (中國人民大學).

Mr. ZHOU Guofu (周國富), aged 55, is an independent director of the Company. Mr. Zhou currently holds various positions in South China Normal University (華南師範大學), including serving as a professor, a doctoral advisor, the dean of South China Academy of Advanced Optoelectronics (華南先進光電子研究院), the head of Institute of Electronic Paper Displays of South China Academy of Advanced Optoelectronics (彩色動態電子紙顯示技術研究所). Mr. Zhou currently also serves as a senior consultant in Philips Research Eindhoven (Headquarters) (荷蘭皇家飛利浦研究院) as well as a science consultant of Eindhoven University of Technology (荷蘭埃因霍溫理工大學). Mr. Zhou previously worked in Philips Research Eindhoven (Headquarters) and served as a distinguished professor of the Electrical Engineering Department (電氣工程系) and Industrial Design Department (工業設計系) of Eindhoven University of Technology. Mr. Zhou obtained a doctor's degree in materials science from Institute of Metal Research of Chinese Academy of Sciences (中國科學院金屬研究所) and a doctor's degree in physics from University of Amsterdam (阿姆斯特丹大學).

Mr. YAN Yan (閻焱), aged 62, is an independent director of the Company. Mr. Yan currently serves as the founding managing partner of SAIF Partners (賽富亞洲投資基金), an independent director of China Resources Land Co., Ltd. (華潤置地有限公司), a non-executive director of Guodian Technology and Environment Group Co., Ltd. (國電科技環保集團股份有限公司), an independent director of BlueFocus Data Technology Co., Ltd. (北京藍色光標數據科技股份有限公司) and 360 Finance, Inc. Mr. Yan currently also serves as a director in several companies, including ATA Creativity Global (全美在綫教育), Haier Smart Home Co., Ltd. (海爾智家股份有限公司) (previously known as Qingdao Haier Co., Ltd. (青島海爾股份有限公司)), Shanghai Welltech Automation Co., Ltd. (上海威爾泰工業自動化股份有限公司) and Appotronics Corporation Ltd. (深圳光峰科技股份有限公司). Mr. Yan previously served as a researcher of the World Bank Headquarters (Washington DC) and the Hudson Institute, a director of the Strategic Planning & Business Development Department for Asia Pacific Region of Sprint International Corporation as well as a director, general manager and head of the Hong Kong Office of AIG Asia Infrastructure Investment Fund (AIG亞洲基礎設施投資基金). Mr. Yan was honoured as "Best Venture Capitalist of the Year" by China Venture Capital Association (中國風險投資協會) for 2004 and 2007, "Top 50 Venture Investors in the World" by Private Equity International, "Best Venture Capitalist in China" for 2008 and 2009 by Forbes China as well as "Venture Capital Professional of the Year" for 2009 by Asia Venture Capital Journal. Mr. Yan obtained a bachelor's degree in engineering from Nanjing University of Aeronautics and Astronautics (南京航空航天大學) (previously known as Nanjing Aeronautics College (南京航空學院)) in 1982, a master's degree in sociology from Peking University (北京大學) in 1986 and a master's degree in international economy from Princeton University (普林斯頓大學) in1989.

Mr. LIU Xunci (劉薰詞), aged 60, is an independent director of the Company. Mr. Liu currently serves as the head of the Finance Office of Huizhou University (惠州學院) as well as an expert of the Decision-Making and Consultation Committee (決策諮詢委員會) of the Huizhou Municipal Government. Mr. Liu previously held various positions in Hengyang Normal University (衡陽師範學院), including serving as a staff of the Publicity and United Front Department (宣傳統戰部), an organiser at deputy division and an executive deputy head of the Organisation Department (組織部) of the Party Committee and an executive deputy president (at division level) of the Party School. Mr. Liu previously also held various positions in Hunan Agricultural University (湖南農業大學), including serving as a professor of the Humanities School and Business School and the dean of the Business Administration School. In addition, Mr. Liu previously held several positions in Huizhou University, including serving as a professor of the Economy and Management School, the head of Institute of Pearl River Economic Development Strategy (珠三角經濟發展戰略研究所) and the head of the Audit Office.

SUPERVISORS

The board of supervisors consists of three supervisors, including the chairman, one supervisor and one employee representative supervisor. The board of supervisors is responsible for monitoring the Company's financial matters; overseeing the actions of the directors and the senior management in performing their duties; demanding the directors and senior management to correct their improper conducts; making proposals on convening *ad hoc* Board meetings; and other responsibilities stipulated in relevant laws and regulations or the Company's articles of association.

The following table sets forth the Company's board of supervisors as at the date of this Offering Circular:

Name	Age	Position/Title
Mr. HE Zhuohui (何卓輝)	54	Chairman of the board of supervisors
Ms. QIU Haiyan (丘海燕)	44	Supervisor
Mr. MAO Tianxiang (毛天祥). . .	40	Employee representative supervisor

Mr. HE Zhuohui (何卓輝), aged 54, is the chairman of the board of supervisors of the Company. Mr. He currently serves as a full-time deputy secretary (專職副書記) and a director of Huizhou Investment Holding Co., Ltd. Mr. He previously served as a deputy head of the General Office and the head of the Administration Office (辦事處) of China Construction Bank Co., Ltd., Huiyang Branch (中國建設銀行惠陽縣支行), a manager of Chengchang (Huizhou) Investment Co., Ltd. (誠昌(惠州)投資有限公司), the general manager of Huizhou Investment Holding Asset Management

Co., Ltd. (惠州市投資控股資產管理有限公司), a manager of the Management and Development Department of Huizhou Investment Holding Co., Ltd. as well as a director and a deputy general manager of Huizhou Waterway Investment and Construction Co., Ltd.

Ms. QIU Haiyan (丘海燕), aged 44, is a supervisor of the Company. Ms. Qiu currently serves as a manager of the Finance Department and an employee representative director of Huizhou Investment Holding Co., Ltd. as well as an employee representative director of Huizhou Investment and Development Co., Ltd. (惠州市投資開發有限公司). Ms. Qiu previously served as an accountant of Huizhou Zongli Real Estate Company (惠州市總利房產公司) and Huizhou Trust & Investment Company (惠州市信托投資公司), a director of Huizhou Investment Holding Asset Operation Co., Ltd. as well as a supervisor of Huizhou Waterway Investment and Construction Co., Ltd. Ms. Qiu previously also held various positions in Huizhou Investment Holding Co., Ltd., including serving as an accountant of the Finance Department, a deputy manager and a manager. Ms. Qiu is an accountant and obtained a bachelor's degree from the Open University of China (國家開放大學) (previously known as Central Radio and Television University (中央廣播電視大學)) in 2011.

Mr. MAO Tianxiang (毛天祥), aged 40, is an employee representative supervisor and the head of the Audit and Inspection Department (審計監察部) of the Company. Mr. Mao currently serves as a supervisor of Tianjin 712 Communication & Broadcasting Co., Ltd., the chairman of the board of supervisors of Highly Information and TCL Finance Co., Ltd. as well as the chief auditor of CSOT. Mr. Mao previously served as the secretary-general (秘書主辦) of China Telecom Corporation Guilin Branch (中國電信集團桂林分公司), a deputy head of the Legal Section (法制科) and the head of the General Section (綜合科) of Huizhou Municipal Bureau of Audit (惠州市審計局), a deputy director and a director at deputy division level of the Law Enforcement Supervision Office (執法監察室) and the Efficiency Supervision Office (效能監察室) of Huizhou Municipal Committee for Discipline Inspection, the general manager of Huizhou Baochangsheng Resources Investment Co., Ltd. (惠州寶昌勝資源投資有限公司) (previously known as Huizhou Resource Investment Co., Ltd. (惠州TCL資源投資有限公司)) as well as the acting general manager (代理總經理) of Huizhou Techne Group Co., Ltd. (惠州泰科立集團股份有限公司). Mr. Mao previously also held various positions in the Company, including serving as the public relations and media manager (公關傳媒主管) of the Strategic OEM Business Department (戰略OEM事業本部), a staff of the President's Office and a deputy director of the Party-Masses Work Department (黨群工作部). Mr. Mao obtained a bachelor's degree in journalism from Guangxi University (廣西大學) in 2003.

SENIOR MANAGEMENT

The Company's senior management is appointed by, and reports to, the Board. The senior management is primarily responsible for managing the production and operation work of the Company and implementing the decisions of the Board; implementing the annual business plans and investment proposals; formulating the internal management organisation plans; formulating the basic management systems and detailed implementing rules and other responsibilities stipulated in relevant laws and regulations or the Company's articles of association.

The following table sets forth certain information concerning the Company's senior management as at the date of this Offering Circular:

Name	Age	Position/Title
Mr. LI Dongsheng (李東生)	63	Chairman of the Board and chief executive officer
Ms. DU Juan (杜娟)	50	Director, chief operating officer and chief financial officer
Mr. LIAO Qian (廖騫)	40	Director, secretary of the Board and vice president
Mr. KIM Woo Shik (金旴植). . . .	64	Director and senior vice president
Mr. YAN Xiaolin (閆曉林)	53	Senior vice president and chief technology officer
Mr. ZHAO Jun (趙軍).	47	Vice president
Ms. LI Jian (黎健)	48	Vice president
Mr. ZHAO Yong (趙勇)	49	Vice president
Mr. TONG Xuesong (童雪松) . . .	57	Vice president

Mr. LI Dongsheng (李東生), aged 63, is the founder, chairman of the Board and chief executive officer of the Company. For Mr. Li's biography, see "— *Directors*" above.

Ms. DU Juan (杜娟), aged 50, is a director, the chief operating officer and chief financial officer of the Company. For Ms. Du's biography, see "— *Directors*" above.

Mr. LIAO Qian (廖騫), aged 40, is a director, vice president, secretary of the Board, the deputy director of the Investment Management Committee and a member of the Executive Committee of the Company. For Mr. Liao's biography, see "— *Directors*" above.

Mr. KIM Woo Shik (金旴植), aged 64, is a senior deputy president and director of the Company. For Mr. Kim's biography, see "— *Directors*" above.

Mr. YAN Xiaolin (閆曉林), aged 53, is a senior vice president and the chief technology officer of the Company. Mr. Yan currently serves as the head of TCL Industrial Technology Research Institute (TCL工業研究院), an executive director of TCL Electronics, a director and the chief science officer of CSOT, the chairman of the board of directors of Guangdong Juhua and China Ray, a deputy chairman of the board of directors of Amlogic (Shanghai) Co., Ltd. (晶晨半導體(上海)有限公司), a director of Kateeva Inc. (美國印刷顯示設備Kateeva公司) as well as the president of IEC/TC110. Mr. Yan currently also serves as a part-time professor of Peking University, the chairman of IEC/TC110 as well as a deputy chairman and the president in Asian-Pacific area of the Society for Information Display. Mr. Yan previously held various positions in the Company, including serving as the head of the Research Institute and a deputy general manager of TCL Multimedia Electronics Research and Development Center (TCL多媒體電子研發中心), the chief technology officer of the Component Business Department (部品事業本部) as well as a deputy head, the acting head (代理院長) and the head of TCL Industrial Technology Research Institute (TCL工業研究院). Mr. Yan was honoured as an expert of the National Advisory Committee on New Materials Industry Development Strategy (國家新材料產業發展戰略諮詢委員會), the National Key Projects of "Research, Development and Application of Key New Materials (重點新

材料研發與應用)", "Strategic Advanced Electronic Material Key Specials (戰略性先進電子材料重點專項)" of the National Key Research and Development Programs during China's 13th Five-Year Plan Period, the head of the general expert panel (整體專家組) of the New Display Key Specials (新型顯示重點專項) of the Ministry of Science and Technology (國家科技部) during China's 12th Five-Year Plan Period, a technology innovation pioneer of the Special Support Program for High-Level Professionals (高層次人才特殊支持計劃) of the Organisation Department of the Party Committee as well as one of the national youth and middle-aged with outstanding contributions under the National Talents Project (國家百千萬人才工程). Mr. Yan is a senior engineer at professional level (教授級) and obtained a doctor's degree from Institute of Plasma Physics, Chinese Academy of Sciences (中國科學院等離子體物理研究所) in 1999.

Mr. ZHAO Jun (趙軍), aged 47, is a vice president of the Company. Mr. Zhao currently serves as a senior vice president and the general manager of Large-sized Business Group (大尺寸事業群) and the general manager of TV Business Department (TV 事業部) of CSOT. Mr. Zhao previously served as an assistant president, a vice president and a deputy general manager of Tianma Microelectronics Co., Ltd. (天馬微電子股份有限公司). Mr. Zhao previously also served as the general manager and a director of Wuhan CSOT. Mr. Zhao obtained a master's degree in chemical engineering from Northwestern Polytechnical University (西北工業大學).

Ms. LI Jian (黎健), aged 48, is a vice president of the Company. Ms. Li currently serves as the chief executive officer of TCL Financial Holding Group (Guangzhou) Co., Ltd. Ms. Li previously served as the general manager of the International Business Department (國際業務部) of China Construction Bank Co., Ltd., Huizhou Branch (中國建設銀行惠州縣支行). Ms. Li previously also served as the Treasurer (資金總監) of TCL Multimedia Technology Holdings Limited and the general manager of TCL Finance Co., Ltd. Ms. Li obtained a master's degree in business administration from Massachusetts Institute of Technology (麻省理工大學) and a master's degree in business administration from The Hong Kong University of Science and Technology (香港科技大學).

Mr. ZHAO Yong (趙勇), aged 49, is a vice president of the Company. Mr. Zhao currently serves as a senior vice president of CSOT, the general manager of Wuhan CSOT, a member of Chinese People's Political Consultative Conference (中國人民政治協商會議) of Wuhan City and a vice president of Wuhan Municipal Confederation of Industry and Commerce (武漢市工商業聯合會). Mr. Zhao previously served as a vice president of CSOT as well as the general manager of Wuhan CSOT. Mr. Zhao obtained a bachelor's degree in precision instruments from Tsinghua University (清華大學) and an executive master's degree in business administration from China Europe International Business School (中歐國際工商學院).

Mr. TONG Xuesong (童雪松), aged 57, is a vice president of the Company. Mr. Tong currently serves as the general manager of Xinjiang TCL Equity Investment Co., Ltd. Mr. Tong previously served as a vice president of the Profit Centre in North America (北美利潤中心) of TCL-Thomson Electronics Corporation (TCL-湯姆遜電子有限公司) ("**TTE**"), a vice president and the general manager of the Strategic and Planning Centre (戰略企劃中心) of TTE and a vice president of the Emerging Market Business Centre (新興市場業務中心) of TTE. Mr. Tong obtained a doctor's degree in management from George Washington University (喬治華盛頓大學) and taught EMBA strategic courses in National University of Singapore (新加坡國立大學).

EXCHANGE RATE INFORMATION

The PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi with reference to a basket of currencies in the market during the prior day. The PBOC also takes into account other factors such as general conditions existing in the international foreign exchange markets. Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and U.S. dollars, has been based on rates set by the PBOC, which are set daily based on the previous day's interbank foreign exchange market rates and current exchange rates in the world financial markets. From 1994 to July 2005, the official exchange rate for the conversion of Renminbi to U.S. dollars was generally stable. Although PRC Governmental policies were introduced in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currency for current account items, conversion of Renminbi into foreign exchange for capital items, such as foreign direct investment, loans or securities, requires the approval of the SAFE and other relevant authorities. On 21 July 2005, the PRC Government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. The PRC Government has since made and in the future may make further adjustments to the exchange rate system. The PBOC authorised the China Foreign Exchange Trading Center, effective since 4 January 2006, to announce the central parity exchange rate of certain foreign currencies against the Renminbi at 9:15 am each business day. This rate is set as the central parity for the trading against the Renminbi in the inter-bank foreign exchange spot market and the over the counter exchange rate for that business day. On 18 May 2007, the PBOC enlarged, effective on 21 May 2007, the floating band for the trading prices in the inter-bank foreign exchange spot market of Renminbi against the U.S. dollars from 0.3 per cent. to 0.5 per cent. around the central parity rate. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5 per cent. above or below the central parity rate published by the PBOC. On 20 June 2010, the PBOC announced that it intended to further reform the Renminbi exchange rate regime by allowing greater flexibility in the Renminbi exchange rate and on 16 April 2012, the band was expanded to 1.0 per cent. Effective 11 August 2015, market makers are required to quote their central parity rates for Renminbi against the U.S. dollar to the China Foreign Exchange Trade System daily before the market opens by reference to the closing rate of the PRC inter-bank foreign exchange market on the previous trading day in conjunction with the demand and supply conditions in the foreign exchange markets and exchange rate movements of major currencies. The PBOC has further authorised the China Foreign Exchange Trade System to announce its central parity rate for Renminbi against the U.S. dollar through a weighted averaging of the quotes from the market makers after removing the highest quote and the lowest quote. The PBOC announces the closing price of a foreign currency traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each working day, and makes it the central parity for trading against the Renminbi on the following working day. The International Monetary Fund announced on 30 September 2016 that, effective 1 October 2016, the Renminbi was added to its Special Drawing Rights currency basket. Since early 2018, the Renminbi has depreciated by more than 10 per cent. against the U.S. dollar due to China's weakened exports as well as its trade-war with the United States. The value of the Renminbi is expected to continue to be affected by, among other factors, changes in political and economic conditions and the foreign exchange policy adopted by the PRC government.

The following table sets forth the exchange rate of the Renminbi against the U.S. dollar. The exchange rate refers to the Noon Buying Rate as set forth in the weekly H.10 statistical release of the U.S. Federal Reserve Board.

	Renminbi per U.S. Dollar Noon Buying Rate			
Period	**End**	**Average[(1)]**	**High**	**Low**
	(RMB per U.S.$1.00)			
2015	6.4778	6.2869	6.4896	6.1870
2016	6.9430	6.6400	6.9580	6.4480
2017	6.5063	6.7350	6.9575	6.4773
2018	6.8755	6.6292	6.9737	6.2649
2019	6.9618	6.9014	7.1786	6.6822
December	6.9618	7.0137	7.0609	6.9618
2020				
January	6.9161	6.9184	6.9749	6.8589
February	6.9906	6.9967	7.0286	6.9650
March	7.0808	7.0205	7.1099	6.9244
April	7.0622	7.0708	7.0989	7.0341
May	7.1348	7.1016	7.1681	7.0622

Note:

(1) Annual averages have been calculated from month-end rate. Monthly averages have been calculated using the average of the daily rates during the relevant period.

DESCRIPTION OF THE SBLC BANK

The information included below is for information purposes only and is based on, or derived or extracted from, among other sources, publicly available information. The Issuer and the Company have taken reasonable care in the compilation and reproduction of the information. None of the Issuer, the Company, the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates, employees or professional advisers has independently verified such information. No representation or warranty, express or implied, is made or given by the Issuer, the Company, the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates, employees or professional advisers as to the accuracy, completeness or sufficiency of such information. Accordingly, such information should not be unduly relied upon.

The Bonds will have the benefit of the SBLC which will be issued by Bank of China Limited, Guangdong Branch as the SBLC Bank. Under PRC laws, the SBLC Bank is not a separate and independent legal person but has capacity to carry on its activities within its scope of authorisation given by BOC, and if the assets of the SBLC Bank are not sufficient to meet the obligations of the SBLC Bank under the SBLC, BOC would have an obligation to satisfy the remaining balance of the obligations under the SBLC.

OVERVIEW

BOC is a limited liability company incorporated in the PRC and is headquartered in Beijing with operations in China and overseas regions. The shares of BOC are traded on the Hong Kong Stock Exchange (stock code: 3988) and the Shanghai Stock Exchange (stock code: 601988). BOC has been assigned ratings of "A" by S&P, "A1" by Moody's and "A" by Fitch.

BOC is one of the four largest commercial banks in the PRC in terms of total assets with the most extensive international presence among PRC commercial banks. BOC was ranked 44th among the "Fortune Global 500" in 2019. With an international network in 61 countries and regions, its scope of business encompasses these main areas: commercial banking, investment banking and insurance. Commercial banking is BOC's traditional core business. It includes corporate banking, personal banking and financial markets business. The combination of these businesses has created a universal banking platform that allows BOC to provide integrated services to its customers.

PRINCIPAL BUSINESS ACTIVITIES

BOC's principal lines of business consist of commercial banking, investment banking and insurance.

Domestic Commercial Banking

Commercial banking business is BOC's traditional main business. It comprises three major lines of business: corporate banking business, personal banking business and financial markets business.

Corporate Banking

BOC offers a broad range of corporate banking products and services to its corporate customers, including state-owned enterprises, private enterprises, foreign-invested enterprises, financial institutions and government agencies. These products and services include loans and advances, deposits, electronic commercial bill discounting, trade-related services and trade finance as well as other fee-based products and services.

BOC offers the following corporate banking products and services in RMB and foreign currencies.

Corporate Deposits

BOC provides corporate deposits services, such as cash management, international settlement, cross-border RMB business and supply-chain financing, to its corporate customers. BOC is broadening its corporate deposit sources by targeting the upstream and downstream customers of industry value chain. BOC also continues to expand its customer base of administrative institutions which are primarily focusing on public finance and social security, education and public health.

Corporate Loans

BOC's corporate loan products consist primarily of fixed asset loans, working capital loans, electronic commercial bill discounting and trade finance. BOC provides fixed asset loans to its corporate customers to meet their funding needs for infrastructure projects, acquisition of machinery and equipment and real property development. Working capital loans are extended to meet its corporate customers' working capital or cash flow needs. Electronic commercial bill discounting involves providing its customers with short-term financing in exchange for their commercial bills accepted by other commercial banks or corporations.

BOC has been involved in the transformation and upgrading of the domestic economy and actively supported key investment sectors such as infrastructure construction, advanced manufacturing, Internet related industries, artificial intelligence and rural revitalisation. BOC has allocated more resources to key regions such as the Beijing-Tianjin-Hebei region, the Guangdong-Hong Kong-Macao Greater Bay Area, the Yangtze Economic Belt and the Hainan Pilot Free Trade Zone.

Transaction Banking

BOC has upgraded its integrated financial services for cross-border e-commerce, covering matchmaking, financing and payment for cross-border e-commerce industry. BOC's domestic branches have retained a major market share in international trade services and held a leading position among peers in cross-border guarantee business. BOC has acted as a leader in cross-border RMB-related product and service innovation as well as a main channel for RMB cross-border flows. BOC has developed such functions as supply chain financing, tax payment, reservation for account opening, letter of guarantee online application, cross-border remittance, small- and medium-sized enterprises tax and fee financing and insurance premium payment. BOC was the first domestic bank to introduce a centralised tax payment e-guarantee and realise the digitalised transmission of guarantee data to the customs.

BOC was named the "Best Transaction Bank" and the "Best Trade Finance Bank" in 2018 by FinanceAsia. In 2019, BOC was recognised as "Best Bank for Transaction Services" and "Best Chinese Bank for RMB Internationalisation" by Global Finance, and awarded "Best Transaction Bank for Trade Finance" by Asiamoney, demonstrating the Bank's professional advantages in transaction banking. BOC was also recognised as the "Best Regional Cash Manager in Asia" by Euromoney for the fourth consecutive year in 2019 and the "Best Transaction Bank for International Cash Management" by Asiamoney for the third consecutive year in 2019.

Financial Institutions Business

BOC's financial institutional banking business primarily includes local and foreign currency deposit taking, local and foreign currency clearing, custody, fund distribution, asset management services, insurance agency business, securities and futures clearing, bond distribution, clearing agency and foreign currency note services for financial institutions as well as correspondent banking services. BOC has become a major RMB clearing channel and a main business partner for overseas central banks and other sovereign institutions, commercial banks and exchange houses.

Inclusive Finance

BOC also endeavoured to increase the supply of inclusive finance loans to small- and medium-sized enterprises ("**SMEs**"). BOC has established a sound service system including the "five specialised operating mechanisms". BOC designated all of its outlets as the basic service outlets for inclusive finance and held 11 cross-border trade and investment conferences in 2019 to promote cooperation on trade, investment and technologies.

Pension Services Business

Focusing on the development of the social security system in China, BOC has continuously extended its pension services business coverage and provided a range of pension-related financial services, including, among others, enterprise annuities, occupational annuities, employee benefit plans, employee stock ownership plans and pension security management products. BOC also acts as a trustee of enterprise annuity funds and an account manager for enterprise annuities.

Personal Banking

BOC offers a broad range of personal banking products and services, including loans, deposits, wealth management services, foreign exchange services and card services.

Personal Deposits

BOC accepts deposits in RMB as well as certain major foreign currencies. It mainly offers demand deposits and time deposits to its personal banking customers. BOC seeks to improve its foreign exchange services by increasing the number of foreign currencies offered by its personal deposit and withdrawal businesses and the number of convertible foreign currencies available to customers. BOC also launched cash exchange reservation service on all electronic channels including mobile banking and online banking to further improve customer experience.

Personal Loans

BOC's personal loans and advances business consists primarily of mortgage loans, automobile loans, credit card loans, loans for business purposes, government-sponsored student loans and revolving credit lines.

Wealth Management and Private Banking

BOC has a long history of providing foreign exchange services and an extensive international network to serve wealth management customers. In view of expanding personal customer base and optimising customer structures, BOC has implemented a customer segmentation strategy in line with the development of a differentiated three-tier wealth management model. In addition, BOC has established a professional asset allocation decision-making system and BOC Investment Strategy Research Centre, and released the BOC Guangdong-Hong Kong-Macau Greater Bay Area Wealth Index and the 2020 BOC White Paper on Personal Banking Global Asset Allocation.

Bank Card

BOC provides various types of bank card products and services catering to different customer needs, including single credit cards denominated in dual currencies, quasi-credit cards, debit cards and agent services for cards issued by other issuers. BOC further diversified its cards systems by issuing different kinds of debit cards such as electronic social security cards, co-branded cards, campus cards and theme cards.

Financial Markets Business

The financial markets business mainly includes proprietary trading of local and foreign currency instruments and franchises trading, investments in local and foreign currency securities or indices, debt market business, agency wealth management and asset management, the financial agency business and custody business. BOC conducts its treasury operations mainly through its five trading centres, located in Beijing, Shanghai, Hong Kong, London and New York.

Securities Investments Business

BOC's securities investments business consists of both RMB- and foreign currency-denominated investments. Its RMB-denominated investments mainly comprise PRC government bonds, PBOC bills and debt securities issued by financial institutions. BOC's foreign currency-denominated investments consist primarily of sovereign bonds and structured debt instruments.

Trading Business

BOC's global trading consists primarily of proprietary and market-making businesses. BOC's domestic trading business includes precious metals trading and RMB-denominated bonds trading. It engages in both RMB purchase and sales and RMB inter-bank lending and borrowing, along with its RMB settlement business for cross-border trades. To accommodate customers' hedging needs, BOC has introduced portfolio products such as a forward settlement and sale of foreign exchange against RMB as well as option products including silver options, risk reversal RMB options and dual-currency forwards.

Investment Bank and Asset Management

BOC has provided customers with comprehensive, professional and customised investment banking and asset management services, including domestic direct financing, cross-border financing, restructuring and merger and acquisition advisory, cross-border financial advisory and financing solutions. BOC has underwritten debt financing instruments for non-financial institutions in the China interbank bond market and held the leading market share in Panda Bonds business. It has also continuously enhanced its core competitive advantages, participated in underwriting of offshore RMB bonds and foreign currency-denominated bonds for a number of medium- and large-sized enterprises. Its market share in underwriting offshore RMB-denominated bonds and G3 currency (i.e. USD, EUR and JPY) investment grade bonds of Chinese enterprises ranked top among its domestic peers. In addition, it has undertaken the credit asset securitisation business and continued to optimise its asset mix.

Custody Business

BOC cooperates closely with dozens of fund management companies and provides various wealth management products for collective segregated accounts. It provides innovative custody services to securities firms in connection with their segregated accounts business, infrastructure investment and independent supervision for insurance plans as well as banks' collective investment plans. In response to market changes, BOC also provides custody services for fixed income funds and equity funds.

Village Bank

BOC Fullerton Community Banks, a joint venture between BOC and Fullerton Financial Holdings Pte. Ltd., has actively implemented state policies on agriculture, farmers and rural areas, following the strategic goal of "Serving Society, Delivering Excellence" and the aim of "focusing on county area development, supporting farmers and small-sized enterprises, and growing together with communities". The village banks are committed to providing modern financial services to farmers, SMEs, individual merchants and the wage-earning class, and promoting the construction of China's "New Countryside".

Overseas Commercial Banking Business

Regarding branch distribution, in order to meet financial service requirements of China's "Going Global" enterprises, BOC has accelerated improvements in the distribution of institutions in countries along the Belt and Road Initiative and in emerging markets, and further expanded the network of outlets in countries with an existing BOC presence with the aim of achieving mainstream status in local markets and providing comprehensive financial services to customers.

For corporate banking, by utilising its specialised corporate banking products and services, BOC has provided strong support to Chinese enterprises in their cross-border investment and international production cooperation in such fields as infrastructure construction, energy and minerals, financial investment and overseas industrial parks.

For personal banking business, BOC has provided one-stop financial services for personal "Going Global" customers by leveraging its extensive overseas institutional network. It continued to expand its overseas account opening witness service, which now covers 18 countries and regions in North America, Europe, Asia and Oceania.

For financial markets business, BOC fully leveraged its advantages in integrated global operations and actively engaged in RMB futures market-making on the exchanges in Singapore, South Korea and Dubai, in line with the national opening up strategy. As a result, it enhanced its capacity for customer base expansion in Asia, Europe and Oceania, and further optimised its product line structure for exchange rates, interest rates and commodities.

For clearing business, BOC further expanded its global RMB clearing network and improved its cross-border RMB clearing service capability.

For e-banking, the Bank further expanded the coverage of its overseas channel services. It recently released an upgraded international version of its mobile banking service and increased the availability of overseas online banking services.

BOCHK

Bank of China (Hong Kong) Limited ("**BOCHK**") has remained a market leader in Hong Kong in its syndicated loan market and a major receiving bank for IPOs. In the UnionPay card business, BOCHK has also maintained its leadership in Hong Kong both for merchant acquiring business and card issuance.

Investment Banking Business

BOCI

BOC conducts its investment banking business through BOC International Holdings Limited ("**BOCI**"), through its offices in the PRC, Hong Kong, Singapore, the United States and the United Kingdom, and offers clients a comprehensive range of investment banking products and services, including listings, debt financing, mergers and acquisitions, financial advisory, securities sales and trading, fixed income, direct investment, asset management, leveraged and structured finance and private wealth management, among others.

BOCI China

BOC operates its domestic securities business through BOC International (China) Limited ("**BOCI China**"). In addition to participating in large-scale IPOs underwriting projects, BOCI China actively developed its SMEs client base and is involved in the bond underwriting business. On 26 February 2020, BOCI China was successfully listed on the main board of Shanghai Stock Exchange (stock code: 601696).

Asset Management Business

BOCIM

BOC engages in its fund management business in the Chinese Mainland through Bank of China Investment Management Co., Ltd. ("**BOCIM**"), a joint-venture fund management company between BOC and BlackRock, Inc.

BOC Wealth Management

BOC conducts its wealth management business through its wholly-owned subsidiary BOC Wealth Management Co., Ltd. ("**BOC Wealth Management**"). BOC provides various publicly-offered and privately-offered financial products as well as consulting services. BOC Wealth Management was awarded the "Best Bank Wealth Management Company" in 2019 by Eastmoney Awards.

Insurance

BOCG Insurance

BOC operates its insurance business within Hong Kong through Bank of China Group Insurance Company Limited ("**BOCG Insurance**").

BOC Life

BOC operates its life insurance business in Hong Kong through BOC Group Life Assurance Co., Ltd. ("**BOCG Life**"). BOCG Life provides wealth management, retirement and life protection solutions and services to customers in Hong Kong.

BOC Insurance

BOC operates its property insurance business in mainland China through Bank of China Insurance Company Limited ("**BOC Insurance**").

BOC-Samsung Life

BOC engaged in life insurance business in the Chinese mainland through BOC-Samsung Life Ins. Co., Ltd. ("**BOC-Samsung Life**"). BOC-Samsung Life has also constructed a comprehensive life insurance service portal on the BOC mobile banking platform and provided a physical examination service at the Samsung Medical Centre for high-end clients.

OTHER BUSINESSES

Investment Business

BOCG Investment

BOC engaged in direct investment and investment management business through its subsidiary Bank of China Group Investment Limited ("**BOCG Investment**"). Based in Hong Kong, BOCG Investment conducts its business mainly in mainland China while exploring business opportunities outside of China. Its business scope includes private equity investment, fund investment and management, non-performing asset investment, and real estate investment and management, focusing on the finance, energy, consumer and healthcare sectors.

BOC Asset Investment

BOC engaged in debt-for-equity conversion, private equity investment funds and related businesses in the Chinese mainland through BOC Asset Investment.

Leasing Business

BOC Aviation

BOC engaged in the aircraft leasing business through BOC Aviation. BOC Aviation is one of the world's leading aircraft operating leasing companies and is the largest aircraft operating leasing company headquartered in Asia, as measured by the value of owned aircraft.

BOARD OF DIRECTORS

The board of directors of BOC as at the date of this Offering Circular consisted of:

Name	Position
LIU Liange	Chairman
WANG Jiang	Vice chairman and president
WANG Wei	Executive director and executive vice president
LIN Jingzhen	Executive director and executive vice president
ZHAO Jie	Non-executive director
XIAO Lihong	Non-executive director
WANG Xiaoya	Non-executive director
ZHANG Jiangang	Non-executive director
CHEN Jianbo	Non-executive director
WANG Changyun	Independent director
CHAO Angela	Independent director
JIANG Guohua	Independent director
LIAO Martin Cheung Kong	Independent director

GENERAL INFORMATION

BOC's head office is located at No.1 Fuxingmen Nei Dajie, Beijing, China, 100818. The BOC's website address is http://www.boc.cn. Copies of the published audited consolidated financial statements and unaudited but reviewed consolidated financial statements of BOC, as well as its public filings, can be downloaded free of charge from the website of the Hong Kong Stock Exchange on the internet at www.hkex.com.hk. The financial statements of BOC are not included in and do not form part of this Offering Circular. The information contained on the websites of BOC and the Hong Kong Stock Exchange is subject to change from time to time. No representation is made by the Issuer, the Group, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers and none of the Issuer, the Group, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers takes any responsibility for any information contained on websites of BOC and the Hong Kong Stock Exchange.

This section summarises the principal PRC laws and regulations which are relevant to the Group's business and operations. As *this is a summary, it does not contain a detailed analysis of the PRC laws and regulations which are relevant to the Group's business and operations.*

THE PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution and is made up of written laws, administrative regulations, directives and local laws, laws and regulations of Special Administrative Regions and laws resulting from international treaties entered into by the PRC government. In general, PRC court judgements do not constitute binding precedents. However, they are used for the purposes of judicial reference and guidance.

The National People's Congress of the PRC (the "**NPC**") and the Standing Committee of the NPC are empowered by the PRC Constitution to exercise the legislative power of the State. The NPC has the power to amend the PRC Constitution and enact and amend basic laws governing State agencies and civil, criminal and other matters. The Standing Committee of the NPC is empowered to enact and amend all laws except for the laws that are required to be enacted and amended by the NPC.

The State Council is the highest organ of the State administration and has the power to enact administrative rules and regulations. The ministries and commissions under the State Council are also vested with the power to issue orders, directives and regulations within the jurisdiction of their respective departments. All administrative rules, regulations, directives and orders promulgated by the State Council and its ministries and commissions must be consistent with the PRC Constitution and the national laws enacted by the NPC. In the event that a conflict arises, the Standing Committee of the NPC has the power to annul such administrative rules, regulations, directives and orders.

At the regional level, the provincial and municipal congresses and their respective standing committees may enact local rules and regulations and the people's governments may promulgate administrative rules and directives applicable to their own administrative areas. These local rules and regulations must be consistent with the PRC Constitution, the national laws and the administrative rules and regulations promulgated by the State Council.

The State Council, provincial and municipal governments may also enact or issue rules, regulations or directives in new areas of the law for experimental purposes or in order to enforce the law. After gaining sufficient experience with experimental measures, the State Council may submit legislative proposals to be considered by the NPC or the Standing Committee of the NPC for enactment at the national level.

The PRC Constitution vests the power to interpret laws in the Standing Committee of the NPC. The Supreme People's Court, in addition to its power to give general interpretation on the application of laws in judicial proceedings, also has the power to interpret specific cases. The State Council and its ministries and commissions are also vested with the power to interpret rules and regulations that they have promulgated. At the regional level, the power to interpret regional rules and regulations is vested in the regional legislative and administrative bodies which promulgated such laws.

THE PRC JUDICIAL SYSTEM

Under the PRC Constitution and the Law of Organisation of the People's Courts, adopted on 1 July 1979 and last revised on 26 October 2018 and implemented on 1 January 2019, the judicial system is made up of the Supreme People's Court, the local courts, military courts and other special courts.

The local courts at all levels are comprised of the basic courts, the intermediate courts and the higher courts. The basic courts are organised into civil, criminal, economic, administrative and other divisions. The intermediate courts are organised into divisions similar to those of the basic courts, and are further organised into other special divisions, such as the intellectual property division. The higher level courts supervise the basic and intermediate courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in the PRC. It supervises the administration of justice by all other courts.

The courts employ a two-tier appellate system. A party may appeal against a judgement or order of a local court to the court at the next higher level. Second judgements or orders given at the next higher level and the first judgements or orders given by the Supreme People's Court are final. First judgements or orders of the Supreme People's Court are also final. If, however, the Supreme People's Court or a court at a higher level finds an error in a judgement which has been given by any court at a lower level, or the president of a court finds an error in a judgement which has been given in the court over which he presides, the case may then be retried in accordance with the judicial supervision procedures.

The Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》), which was adopted on 9 April 1991 and amended on 28 October 2007, 31 August 2012 and 27 June 2017, respectively, sets forth the criteria for instituting a civil action, the jurisdiction of the courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgement or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a jurisdiction where civil actions may be brought, provided that the jurisdiction is either the plaintiff's or the defendant's place of residence, the place of execution or implementation of the contract or the place of the object of the contract. However, such selection cannot violate the stipulations of grade jurisdiction and exclusive jurisdiction in any case.

A foreign individual or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to comply with a legally effective judgement or order made by a court or an effective award granted by an arbitration panel in the PRC, the aggrieved party may apply to the court to request for enforcement of the judgement, order or award. The time limit imposed on the right to apply for such enforcement is two years. If a person fails to satisfy a judgement made by the court within the stipulated time, the court will, upon application by any party to the action, mandatorily enforce the judgement.

A party seeking to enforce a judgement or order of a court against a party who is not located within the PRC and does not own any property in the PRC may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgement or order. A foreign judgement or ruling may also be recognised and enforced by a PRC court in accordance with the PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgement or ruling satisfies the court's examination in accordance with the principle of reciprocity, unless the court finds that the recognition or enforcement of such judgement or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security, or for reasons of social and public interests.

REGULATIONS REGARDING OVERSEAS INVESTMENT AND ACQUISITION ACTIVITIES

NDRC Supervision

According to the "Measures for the Administration of Overseas Investment of Enterprises (《企業境外投資管理辦法》)" promulgated on 26 December 2017 and effected on 1 March 2018 (the "**Measures**"), sensitive overseas investment projects carried out by PRC enterprises either directly or through overseas enterprises under their control shall be approved by NDRC, and non-sensitive overseas investment projects directly carried out by PRC enterprises shall be filed with NDRC or its local branch at the provincial level. In case of large-amount non-sensitive overseas investment projects with the investment amount of USD300 million or above carried out by PRC enterprises through overseas enterprises under their control, such PRC enterprises shall, before the implementation of the projects, submit a report to NDRC describing the details about such large-amount non-sensitive projects. Where PRC resident natural persons make overseas investments through overseas enterprises under their control, the Measures shall apply *mutatis mutandis*. Subsequently, on 31 January 2018, NDRC issued the Catalogue of Sensitive Overseas

Investment Industry (2018 Version) (《境外投資敏感行業目錄(2018年版)》), effective 1 March 2018, under which enterprises are restricted from making outbound investments in certain industries, including without limitation, real estate and hotel.

MOFCOM Supervision

MOFCOM issued the new version of the Administration of Overseas Investment on 6 September 2014, effective from 6 October 2014 (the "**New Overseas Investment Rules**"). Under the New Overseas Investment Rules, a domestic enterprise intending to carry out any overseas investment shall report to the competent department of commerce for verification or filing and shall, with regard to an enterprise so verified or filed, issue thereto an Enterprise Overseas Investment Certificate. If two or more enterprises make joint investment to establish an overseas enterprise, the larger (or largest) shareholder shall be responsible for the verification or filing procedure after soliciting written consent of other investing parties.

An enterprise that intends to invest in a sensitive country or region or a sensitive industry shall apply for the verification by MOFCOM. **Sensitive countries and regions** mean those countries without a diplomatic relationship with the PRC, or subject to the UN sanctions or otherwise under the list of verified countries and regions published by MOFCOM from time to time. **Sensitive industries** mean those industries involving the products and technologies which are restricted from being exported, or affecting the interests of more than one country (or region). In accordance with the New Overseas Investment Rules, a Central Enterprise shall apply to MOFCOM for verification and MOFCOM shall, within 20 working days of accepting such application, decide whether or not the verification is granted. For a local enterprise, it shall apply through the provincial department of commerce to MOFCOM for such verification. The provincial department of commerce shall give a preliminary opinion within 15working days of accepting such local enterprise's application and report all application documents to MOFCOM, while MOFCOM shall decide whether or not the verification is granted within 15 working days of receipt of such preliminary opinion from the provincial department of commerce. Upon verification, the Enterprise Overseas Investment Certificate shall be issued to the investing enterprise by MOFCOM.

Other than those overseas investments subject to MOFCOM verification as described above, all other overseas investments are subject to a filing requirement. The investing enterprise shall fill complete the filing form through the Overseas Investment Management System, an online system maintained by MOFCOM and print out a copy of such filing form for stamping with the company chop, and then submit such stamped filing form together with a copy of its business licence, for filing at MOFCOM (fora Central Enterprise) or the provincial department of commerce (for a local enterprise) respectively. MOFCOM or the provincial department of commerce shall accept the filing and issue the Enterprise Overseas Investment Certificate within 3 working days of receipt of such filing form.

The investing enterprise must carry out the investment within two years of the date of the relevant Enterprise Overseas Investment Certificate, otherwise such Certificate will automatically expire and anew filing or verification application has to be made by the investing enterprise after such expiry. In addition, if any item recorded in such Certificate is changed, the investing enterprise shall handle an updating process at MOFCOM or the provincial department of commerce (as the case may be).

If an overseas invested company carries out a re-investment activity offshore, the investing enterprise shall report such re-investment activity to MOFCOM or the provincial department of commerce (as the case may be) after the investment is completed offshore. The investing enterprise shall fill in and printout a copy of the Overseas Chinese-invested Enterprise Re-investment Report Form from the Overseas Investment Management System and stamp and submit such Report Form to MOFCOM or the provincial department of commerce.

The New Overseas Investment Rules specifically provide that an overseas invested company cannot use the words of "China" ("**中國**" or "**中華**") in its name, unless otherwise approved.

Foreign Exchange Administration

According to the Circular of the State Administration of Foreign Exchange on Promulgating the Administrative Provisions on Foreign Exchange of the Outbound Direct Investments of Domestic Institutions (《境內機構境外直接投資外匯管理規定》), which was promulgated on 13 July 2009, corporations, enterprises or other economic organisations (domestic investors) that have been permitted to make outbound investment shall go through the procedures of registration to the Foreign Exchange Bureau. The Foreign Exchange Bureau shall issue the Foreign Exchange Registration Certificate for overseas direct investment or an IC card to the domestic institution. The domestic institution shall go through the formalities for outward remittance of funds for overseas direct investment at a designated foreign exchange bank by presenting the approval document issued by the department in charge of overseas direct investment and the Foreign Exchange Registration Certificate for overseas direct investment. The scope of foreign exchange funds for overseas direct investment of domestic institutions includes their own foreign exchange funds, domestic loans in foreign currencies incompliance with relevant provisions, foreign exchange purchased with Renminbi, material objects, intangible assets and other foreign exchange funds approved by the Foreign Exchange Bureaus for overseas direct investment. The profits gained from overseas direct investment of domestic institutions may be deposited in overseas banks and used for overseas direct investment.

According to the Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《關於進一步簡化和改進直接投資外匯管理政策的通知》) ("**Hui Fa [2015] No.13**"), which was promulgated on 13 February 2015, Administrative Examination and Approval Procedures relating to the Foreign Exchange Registration Approval under Domestic Direct Investment and the Foreign

Exchange Registration Approval under Overseas Direct Investment are cancelled, and "Hui Fa [2015] No.13" further simplifies Handling Formalities for Certain Direct Investment-related Foreign Exchange Business.

EIT LAW

Prior to 1 January 2008, under the then applicable PRC law and regulations, entities established in the PRC were generally subject to a 33 per cent. EIT. However, entities that satisfied certain conditions enjoyed preferential tax treatment. In accordance with the tax laws and regulations effective until 31 December 2007, foreign invested manufacturing enterprises scheduled to operate for a period no less than ten years were exempted from paying state income tax for two years starting from its first profitmaking year and were allowed a 50 per cent. reduction in its tax rate in the third, fourth and fifth years (the "**two-year exemption and three-year reduction by half**").

On 16 March 2007, the NPC enacted the EIT law, which was amended on 24 February 2017 and 29 December 2018, together with its related implementation rules issued by the State Council on 6 December 2007 and amended on 23 April 2019, became effective on 1 January 2008. The new EIT law imposes a single uniform income tax rate of 25 per cent. on all Chinese enterprises, including foreign invested enterprises, and eliminates or modifies most of the tax exemptions, reductions and preferential treatments available under the previous tax laws and regulations. Furthermore, resident enterprises, which refer to enterprises that are set up in accordance with the PRC laws, or that are set up in accordance with the law of a foreign country (region) but have their actual management organisation in the PRC, shall pay enterprise income tax based on their income derived from both within and outside the PRC. While non-resident enterprises that have set up entities or establishments in the PRC shall pay enterprise income tax on the income derived from the PRC by such entities or establishments, and the income derived from outside the PRC but there is an actual relationship with the entities or establishments set up by such enterprises. Where non-resident enterprises that have not set up entities or establishments in the PRC, or where entities or establishments are set up but there is no actual relationship with the income derived by such entities or establishments, they shall pay enterprise income tax on the income derived from the PRC at the rate of 10 per cent.

VALUE-ADDED TAX

According to the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》) promulgated on 13 December 1993 and last amended on 19 November 2017 and its implementation rules, all entities or individuals in the PRC engaging in the sale of goods, the provision of processing services, repairs and replacement services, the sale of services, intangible assets and real estate, and the importation of goods are required to pay VAT.

Pursuant to The Provisional Regulations of the PRC on Business Tax (《中華人民共和國營業稅暫行條例》), which became effective on 1 January 1994 and were amended on 10 November 2008, and its implementation rules, all institutions and individuals providing taxable services, transferring intangible assets or selling real estate within the PRC must pay business tax. The scope of services which constitute taxable services and the rates of business tax are prescribed in the List of Items and Rates of Business Tax attached to the regulation.

On 1 January 2012, the Chinese State Council officially launched a pilot VAT reform program (the "**Pilot Program**"), applicable to businesses in selected industries. Businesses in the Pilot Program would pay VAT instead of business tax. The Pilot Program initially applied only to transportation industry and "modern service industries" (the "**Pilot Industries**") in Shanghai. The R&D and technical services, information technology services included in the Pilot Industries are subject to the VAT tax rate of 6 per cent. Subsequently, the Pilot Program has been expanded to ten additional regions, including, among others, Beijing and Guangdong province, and nationwide to the designated pilot industries.

On 23 March 2016, the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (《關於全面推開營業税改徵增值税試點的通知》) (the "**Circular 36**") was promulgated by the Ministry of Finance and the State Administration of Taxation. The Circular 36 had superseded previous circulars regarding the collection of value-added tax in lieu of business tax and had also incorporated appendixes including the Implementing Measures for Pilot Collection (《營業税改徵增值税試點實施辦法》), the Provisions on Matters Concerning the Pilot Collection of Value-Added Tax in Lieu of Business Tax (《營業税改徵增值税試點有關事項的規定》), the Provisions on the Transit Policies for the Pilot Collection of Value-Added Tax in Lieu of Business Tax (《營業税改徵增值税試點過渡政策的規定》) and the Provisions on VAT Zero Rate and Tax Exemption Policy Applicable to Taxable Services (《應税服務適用增值税零税率和免税政策的規定》).

Under the Implementing Measures for Pilot Collection, the provision of property management service, agency service, human resource service, educational and medical service, tourism and entertainment service, catering and accommodation service, as well as leasing service will be included in the replacement of the business tax with a VAT and be subject to VAT. Furthermore, pursuant to the Implementing Measures for Pilot Collection, the tax rate of VAT is:

(i) 11 per cent. for the provision of the service of transportation, posting, basic telecommunications construction and leasing real estate, the sale of real estate and the transfer of land use right;

(ii) 17 per cent. for the provision of the service of leasing tangible movables;

(iii) nil for cross-border taxable activities provided by units and individual within the PRC;

(iv) 6 per cent. for provision of modern services, intangible properties or real estate (except for the items listed in (i), (ii) and (iii)); and

(v) 3 per cent. for industry other than disclosed above.

Pursuant to the Circular of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates (《財政部、稅務總局關於調整增值稅稅率的通知》) promulgated on 4 April 2018 and came to effect on 1 May 2018, where a taxpayer engages in a taxable sales activity for the value-added tax purpose or imports goods, the previous applicable 17 per cent. and 11 per cent. tax rates are adjusted to be 16 per cent. and 10 per cent. respectively.

ENVIRONMENTAL PROTECTION LAWS

The State Environmental Protection Administration is responsible for the overall supervision and management of environmental protection in the PRC. All manufacturers in the PRC must comply with environmental laws and regulations including the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the Prevention and Control of Water Pollution Law of the PRC (《中華人民共和國水污染防治法》), the Prevention and Control of Air Pollution Law of the PRC (《中華人民共和國大氣污染防治法》), the Prevention and Control of Noise Pollution Law of the PRC (《中華人民共和國環境噪聲污染防治法》) and the Prevention and Control of Environmental Pollution by Solid Waste Law of the PRC (《中華人民共和國固體廢物污染環境防治法》), and relevant environmental regulations such as provisions regarding the treatment and disposal of pollutants and sewage, discharge of polluted fumes and the prevention of industrial pollution. Depending on the circumstances and the seriousness of the violation of the environmental regulations, the local authorities are authorised to impose various types of penalties on the persons or entities in violation of the environmental regulations. The penalties which could be imposed include the issue of warning, suspension of operation or installation and use of preventive facilities which are incomplete and fail to meet the prescribed standard, reinstallation of preventive facilities which have been dismantled or left idle, administrative sanction against office-in-charge, suspension of business operations or shut-down of the enterprise or institution. Fines could also be levied together with these penalties. The relevant local authorities may apply to the court for compulsory enforcement of environmental compliance. The persons or entities in violation of the applicable laws and regulations may also be liable to pay damages to the victims and/or result in criminal liability.

FIRE PROTECTION LAWS

Several laws and regulations specify fire protection in real estate development, including the Fire Protection Law of the PRC (《中華人民共和國消防法》) promulgated on 29 April 1998 and amended on 28 October 2008 and 23 April 2019 and the Provisions of Supervision and Management of Fire Protection Construction (《建設工程消防監督管理規定》) promulgated on 30 April 2009 and amended on 7 July 2012 which became effective on 1 November 2012. Pursuant to such laws and regulations, approval from or filing with relevant public security and fire protection authorities shall be obtained for fire protection design and a fire protection as-built acceptance inspection shall be completed before the construction of a project can commence.

PRODUCTION SAFETY LAWS

Pursuant to the Production Safety Law (《中華人民共和國安全生產法》) of the PRC promulgated on 29 June 2002 and most recently amended on 31 August 2014, and the Law of the PRC on the Prevention and Treatment of Occupational Diseases (《中華人民共和國職業病防治法》) promulgated on 27 October 2001, effective from 1 May 2002 and last amended on 29 December 2018, enterprises are required to put in place the conditions for safe production and necessary capital investment required by the laws, regulations, national standards and industrial standards. An enterprise which does not fulfil the requirements for safe production cannot carry out production and operation. Special operational personnel of the manufacturing enterprises may not start to perform their duties until they have passed production safety training and obtained qualifications for special operations. Enterprises must maintain industrial injury insurance. The relevant departments responsible for the supervision and administration of production safety must examine the safety production conditions and procedures in relation to the approval, verification, registration and granting of permits, certificates and licences by strictly following the laws, regulations and relevant conditions and procedures for safe production according to national or industrial standards.

The Measures for Administrative Penalties against Illegal Acts Concerning Work Safety (《安全生產違法行為行政處罰辦法》) which was promulgated on 19 May 2003 and last amended on 1 May 2015 provides that the department in charge of safety production may impose on the enterprises violating the Production Safety Law administrative penalties such as warnings, fines, orders to rectify, orders to cease business for rectification, orders to shut down business, and orders to suspend or revoke the licences.

CROSS-BORDER SECURITY LAWS

On 12 May 2014, SAFE promulgated the Notice concerning the Foreign Exchange Administration Rules on Cross-Border Security and the relating implementation guidelines (《國家外匯管理局關於發布〈跨境擔保外匯管理規定〉的通知》) (the "**New Regulations**"). The New Regulations, which come into force on 1 June 2014, replace twelve other regulations regarding cross-border security and introduce a number of significant changes, including: (i) abolishing prior SAFE approval and quota requirements for cross-border security; (ii) requiring SAFE registration for two specific types of cross border security only; (iii) removing eligibility requirements for providers of cross-border security; (iv) the validity of any cross-border security agreement is no longer subject to SAFE approval, registration, filing or any other SAFE administrative requirements; and (v) removing SAFE verification requirement for performance of cross-border security. A cross-border guarantee is a form of security under the New Regulations. The New Regulations classify cross-border security into three types:

- Nei Bao Wai Dai (內保外貸) (the "**NBWD**"): security/guarantee provided by an onshore security provider for a debt owing by an offshore debtor to an offshore creditor;

- Wai Bao Nei Dai (外保內貸) (the "**WBND**"): security/guarantee provided by an offshore security provider for a debt owing by an onshore debtor to an onshore creditor; and

- Other Types of Cross-border Security (其他形式跨境擔保): any cross-border security/guarantee other than NBWD and WBND.

According to the New Regulations, SAFE's prior approval is not required for the execution and performance of guarantee contracts for cross-border guarantee. Instead, post-registration with SAFE has become the primary administrative measure for cross-border guarantees. In respect of NBWD, if the onshore guarantor or security provider is a bank, it is required to file the relevant information on a periodical basis to SAFE through the online SAFE Capital Account Transactions System. Where the bank needs to fulfil the obligation under the guarantee agreement, it may make external payments under the performance of guarantee agreement on its own.

INTELLECTUAL PROPERTY LAWS AND REGULATIONS

China has adopted legislation related to intellectual property rights, including trademarks, patents, domain names and copyrights. China is a signatory to all major intellectual property conventions, including the Paris Convention for the Protection of Industrial Property, the Madrid Agreement on the International Registration of Marks and Madrid Protocol, the Patent Cooperation Treaty, the Universal Copyright Convention, the Berne Convention for the Protection of Cooperation Literary and Artistic Works, the Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure and the Agreement on Trade-Related Aspects of Intellectual Property Rights.

REGULATIONS ON COPYRIGHT

The Copyright Law of the PRC (《中華人民共和國著作權法》), which was adopted in 1990 and amended in 2001 and 2010, and the Implementation of the Copyright Law of the PRC (《中華人民共和國著作權法實施條例》), which was promulgated in 2002 and amended in 2011 and 2013, provide that PRC citizens, legal persons, or other organisations shall enjoy copyright in their works, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software, regardless of whether such works are published or not. A copyright shall subsist on the date when a work is created. In terms of the work created in the course of employment, copyright shall belong to the individual author except for where (i) the work is created primarily through the use of material and technical conditions of the employer and for which the employer bears responsibility of the work, or (ii) copyright of the work belongs to the employer pursuant to applicable provisions of laws and regulations or contractual arrangements. Under such circumstances, the individual author shall be entitled to the right of authorship on the work, while copyright other than the right of authorship shall belong to the employer, and the employer may reward the individual author for the creation or development of the work. In addition, there is a voluntary registration system administered by the PRC Copyright Protection Center (中國版權保護中心) (the "**Center**"), a work registration certificate shall be issued by the Centre after successful registration. The Regulations on Computer Software Protection of the PRC (《中華人民共和國計算機軟件保護條例》) promulgated by the State Council, last amended on 30 January 2013 which became effective on 1 March 2013, protects the rights and interests of computer software copyright holders and encourages the development of the software industry and information economy. In the PRC, software developed by PRC citizens, legal persons or other organisations is automatically protected immediately upon its development, without a need to file an application or obtain an approval. Copyrights on software may be registered with the designated agency and, if registered, the certificate of registration issued by the software registration agency will be the *prima facie* evidence for the ownership of the copyright and other registered matters. On 20 February 2002, the NCA issued the Measures on Computer Software Copyright Registration (《計算機軟件著作權登記辦法》), which outlines the operational procedures for registration of software copyrights, as well as registration of software copyright licences and transfer contracts.

REGULATIONS ON PATENTS

Under the revised Patent Law of the PRC (《中華人民共和國專利法》) promulgated on 12 March 1984 and amended on 4 September 1992, 25 August 2000 and 27 December 2008 and effective 1 October 2009, and the Implementation Regulations for the Patent Law (《中華人民共和國專利法實施細則》), which was promulgated on 19 January 1985 and amended on 21 December 1992, 15 June 2001, 28 December 2002 and 9 January 2010, respectively, there are three types of patents, including invention patents, design patents and utility model patents. Invention patents are valid for twenty years, while design patents and utility model patents are valid for ten years, in each case commencing on their respective application dates. Persons or entities who use patents without the consent of the patent owners, make counterfeits of patented products, or engage in activities that infringe upon patent rights are held liable to the patent owner for compensation and may be subject to fines and even criminal punishment.

According to the Patent Law of the PRC, the "first to file" principle is adopted for patent applications, which means when more than one person files a patent application for the same invention, the patent will be granted to the person who files the application first. In addition, China requires absolute novelty for the sake of an invention to be patentable. Therefore, in general, a patent will be denied if it is publicly known in or outside of China. Furthermore, patents issued in China are not enforceable in Hong Kong, Taiwan or Macau, each of which has an independent patent system.

According to the Patent Cooperation Treaty (the "**PCT**") to which China is a signatory, applications for the protection of inventions in any of the contracting states of the PCT may be filed as international applications.

REGULATIONS ON TRADEMARKS

Both the Trademark Law of the PRC (《中華人民共和國商標法》) promulgated by the National People's Congress Standing Committee in 1982 and amended in 1993, 2001, 2013 and 2019 respectively, and the Regulation on Implementation of Trademark Law of the PRC (《中華人民共和國商標法實施條例》) promulgated by the State Council in 2002 and amended in 2014, provide protection to the holders of registered trademarks. In the PRC, registered trademarks include commodity trademarks, service trademarks, collective marks and certificate marks.

The Trademark Office under the State Administration for Industry and Commerce handles trademark registrations and grants a term of ten years to registered trademarks, renewable every ten- years where a registered trademark needs to be used after the expiration of its validity term, a registration renewal application shall be filed within six months prior to the expiration of the term.

Under the Trademark Law of the PRC, any of the following acts may be regarded as an infringement upon the right to exclusive use of a registered trademark, including (i) using a trademark which is identical with or similar to the registered trademark on the same or similar commodities without authorisation; (ii) selling the commodities that infringe upon the right to exclusive use of a registered trademark; (iii) forging, manufacturing the marks of a registered trademark of others without authorisation, or selling the marks of a registered trademark forged or manufactured without authorisation; and (iv) causing other damage to the right to exclusive use of a registered trademark of another person. Violation of the Trademark Law of the PRC may result in the imposition of fines, confiscation and destruction of the infringing commodities.

Trademark license agreements must be filed with the Trademark Office under the State Administration for Industry and Commerce or its regional counterparts. The licensor shall supervise the quality of the commodities on which the trademark is used, and the licensee shall guarantee the quality of such commodities.

REGULATIONS ON DOMAIN NAMES

Pursuant to the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》), promulgated by the Ministry of Information Industry on 24 August 2017 and effective 1 November 2017, and the Implementing Rules on Registration of Domain Names (《中國互聯網絡信息中心域名注冊實施細則》), which was promulgated on 1 December 2002 and amended on 5 June 2009 and 29 May 2012, respectively, "domain name" refers to the character mark of hierarchical structure, which identifies and locates a computer on the internet and corresponds to the Internet protocol (IP) address of such computer. The principle of "first come, first serve" applies to the domain name registration service.

REGULATIONS ON LABOUR PROTECTION

Enterprises in China are mainly subject to the following PRC labour laws and regulations: the Labour Law of the PRC, which was promulgated on 5 July 1994 and amended on 27 August 2009 and 29 December 2018; the PRC Employment Contracts Law (the "**Employment Contracts Law**"), which was promulgated on 29 June 2007 and amended on 28 December 2012, the Regulation of Insurance for Work-Related Injury, which was promulgated on 27 April 2003 and amended on 20 December 2010; the Regulations on Unemployment Insurance, which was promulgated on 22 January 1999; the Provisional Measures on Insurance for Maternity of Employees, which was promulgated on 14 December 1994; the Social Security Law of the PRC, which was promulgated on 28 October 2010 and amended on 29 December 2018; the Interim Regulation on the Collection and Payment of Social Insurance Premiums, which was promulgated on 22 January 1999 and amended on 24 March 2019; the Administrative Regulation on Housing Provident Fund, which was promulgated on 3 April 1999 and amended on 24 March 2002 and 24 March 2019; and other related regulations, rules and provisions issued by the relevant governmental authorities from time to time.

Pursuant to the Labour Law of the PRC, companies must enter into employment contracts with their employees, based on the principles of equality, consent and agreement through consultation. Companies must establish and effectively implement a system of ensuring occupational safety and health, educate employees on occupational safety and health, preventing work-related accidents and reducing occupational hazards. Companies must also pay for their employees' social insurance premium.

The principal regulations governing the employment contract is the PRC Employment Contracts Law, which was promulgated by the Standing Committee of the NPC on 29 June 2007 and came into effect on 1 January 2008, and was amended on 28 December 2012. Pursuant to the Employment Contracts Law, employers shall establish employment relationship with employees on the date that they start employing the employees. To establish employment, a written employment contract shall be concluded, or employers will be liable for the illegal actions. Furthermore, the probation period and liquidated damages shall be restricted by the law to safeguard employees' rights and interests.

As required under the Regulation of Insurance for Work-Related Injury, the Provisional Measures on Insurance for Maternity of Employees, the Social Security Law of the PRC and the Administrative Regulation on Housing Fund, enterprises in China are obliged to provide employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, injury insurance, medical insurance and housing accumulation fund.

TAXATION

The following summary of certain British Virgin Islands and PRC tax consequences of the purchase, ownership and disposition of the Notes is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any holder of the Notes or any persons acquiring, selling or otherwise dealing in the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes. Persons considering the purchase of the Notes should consult their own tax advisers concerning the possible tax consequences of buying, holding or selling any Notes under the laws of their country of citizenship, residence or domicile.

BRITISH VIRGIN ISLANDS

Under the existing British Virgin Islands Laws, payments of interest and principal on the Notes will not be subject to taxation in the British Virgin Islands and no withholding will be required on the payment of interest and principal to any holder of the Notes nor will gains derived from the disposal of the Notes be subject to British Virgin Islands income or corporation tax, provided that the payments are made to persons who are not resident in the British Virgin Islands.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not resident in the British Virgin Islands with respect to the Notes.

There are currently no withholding taxes or exchange control regulations in the British Virgin Islands applicable to the Issuer.

If neither the Issuer nor any subsidiary holds an interest in real estate in the British Virgin Islands, no stamp duty is payable in respect of the issue of the Notes or on an instrument of transfer in respect of the Notes.

PRC

The following summary accurately describes the principal PRC tax consequences of ownership of the Notes by beneficial owners who, or which, are not residents of mainland China for PRC tax purposes.

These beneficial owners are referred to as non-PRC Noteholders in this "PRC" section. In considering whether to invest in the Notes, investors should consult their individual tax advisors with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction. Reference is made to PRC taxes from the taxable year beginning on or after 1 January 2008.

Withholding on interest

Pursuant to the EIT Law and its implementation regulations and Individual Income Tax Law of the PRC (the "**IIT Law**"), which was last amended on 31 August 2018 and took effect on 1 January 2019, and its implementation regulations, an income tax is imposed on payment of interest by way of withholding in respect of debt securities, issued by PRC enterprises to non-PRC Noteholders, including non-PRC resident enterprises and non-PRC resident individuals. The current rates of such income tax are 10 per cent. for non-PRC resident enterprises and 20 per cent. for non-PRC resident individuals.

Such income tax shall be withheld by the Issuer that is acting as the obligatory withholder and such PRC enterprise shall withhold the tax amount from each payment due. To the extent that the PRC has entered into arrangements relating to the avoidance of double taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate may apply to qualified non-PRC resident enterprise Noteholders. The tax so charged on interests paid on the Notes to non-PRC Noteholders who, or which are residents of Hong Kong (including enterprise holders and individual holders) as defined in the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) which was promulgated on 21 August 2006 (the "**Tax Arrangement**") will be 7 per cent. of the gross amount of the interest pursuant to the Arrangement and relevant interpretation of the Tax Arrangement formulated by SAT. To enjoy this preferential tax rate of 7 per cent., the Issuer could apply, on behalf of the Noteholders, to the State Administration of Taxation of the PRC for the application of the tax rate of 7 per cent. in accordance with the Tax Arrangement on the interest payable in respect of the Notes.

Value-add Tax

On 23 March 2016, the Ministry of Finance and the SAT issued the Circular of Full Implementation of Business Tax to VAT Reform (《關於全面推開營業稅改徵增值稅試點的通知》) (the "**Circular 36**") which confirms that business tax will be completely replaced by VAT from 1 May 2016. Since then, the income derived from the provision of financial services which attracted business tax will be entirely replaced by, and subject to, VAT.

According to Circular 36, the entities and individuals providing the services within China shall be subject to VAT. The services are treated as being provided within China where either the service provider or the service recipient is located in China. The services subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the "loans" refers to the activity of lending capital for another's use and receiving the interest income thereon. Based on the definition of "loans" under Circular 36, the issuance of Notes is likely to be treated as the holders of the Notes providing loans to the Issuer, which thus shall be regarded as financial services subject to VAT. Further, given that the Issuer is located in the PRC, the holders of the Notes would be regarded as providing the financial services within China and consequently, the holders of the Notes shall be subject to VAT at the rate of 6 per cent. when receiving the interest payments under the Notes. In addition, the holders of the Notes shall be subject to the local levies at approximately 12 per cent. of the VAT payment and consequently, the combined rate of VAT and local levies would be around 6.72 per cent. Given that the Issuer pays interest income to Noteholders who are located outside of the PRC, the Issuer, acting as the obligatory withholder in accordance with applicable law, shall withhold VAT and local levies from the payment of interest income to Noteholders who are located outside of the PRC.

Where a holder of the Notes who is an entity or individual located outside of the PRC resells the Notes to an entity or individual located outside of the PRC and derives any gain, since neither the service provider nor the service recipient is located in the PRC, theoretically Circular 36 does not apply and the Issuer does not have the obligation to withhold the VAT or the local levies. However, there is uncertainty as to the applicability of VAT if either the seller or buyer of Notes is located inside the PRC.

Circular 36 has been issued quite recently, the above statement may be subject to further change upon the issuance of further clarification rules and/or different interpretation by the competent tax authority. There is uncertainty as to the application of Circular 36.

Pursuant to the EIT Law and the VAT reform detailed above, the Issuer shall withhold EIT (should such tax apply) from the payments of interest in respect of the Notes for any non-PRC-resident Noteholder and the Issuer shall withhold VAT (should such tax apply) from the payments of interest in respect of the Notes for any Noteholders located outside of the PRC. However, in the event that the Issuer is required to make such a deduction or withholding (whether by way of EIT, VAT or otherwise), the Issuer has agreed to pay such additional amounts as will result in receipt by the Noteholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required. For more information, see "*Terms and Conditions of the Notes — Taxation*".

Capital gains

Under the EIT Law and its implementation rules, any gains realised on the transfer of the Notes by holders who are deemed under the EIT Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as income derived from sources within the PRC. Under the EIT Law, a "non-resident enterprise" means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained income derived from sources within the PRC. There remains uncertainty as to whether the gains realised on the transfer of the Notes by enterprise holders would be treated as incomes derived from sources within the PRC and be subject to PRC enterprise income tax. In addition, under the IIT Law, any individual who has no domicile and does not live within the territory of the PRC or who has no domicile but has lived within the territory of China for less than one year shall pay individual income tax for any income obtained within the PRC. There is uncertainty as to whether gains realised on the transfer of the Notes by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the 10 per cent. enterprise income tax rate and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Notes minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to the Arrangement, Noteholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Notes.

Stamp Duty

No PRC stamp duty will be imposed on non-PRC Noteholders either upon issuance of the Notes or upon a subsequent transfer of Notes to the extent that the register of holders of the Notes is maintained outside the PRC and the issuance and the sale of the Notes is made outside of the PRC.

DESCRIPTION OF CERTAIN DIFFERENCES BETWEEN PRC GAAP AND IFRS

The consolidated financial statements of the Company included in this Offering Circular have been prepared and presented in accordance with PRC GAAP. PRC GAAP are substantially in line with IFRS, except for certain modifications that still exist between PRC GAAP and IFRS, which might be relevant to the financial information of the Group included herein.

The following is a general summary of certain differences between PRC GAAP and IFRS for reference. The Company is responsible for preparing the summary below. Since the summary is not meant to be exhaustive, there can be no assurance regarding the completeness of the summary. The Company has not prepared a complete reconciliation of the consolidated financial information and related footnote disclosure between PRC GAAP and IFRS and has not quantified such differences. Had any such quantification or reconciliation been undertaken by the Group, other potentially significant accounting and disclosure differences may be required that are not identified below. Additionally, no attempt has been made to identify possible future differences between PRC GAAP and IFRS as a result of prescribed changes in accounting standard. Regulatory bodies that promulgate PRC GAAP and IFRS have significant projects ongoing that could affect future comparisons such as this one. Finally, no attempt has been made to identify future differences between PRC GAAP and IFRS that may affect the financial information as a result of transactions or events that may occur in the future. Accordingly, no assurance is provided that the following summary of differences between PRC GAAP and IFRS is complete.

In making an investment decision, investors must rely upon their own examination of the Group, the terms of the offering and other disclosure contained herein. Investors should consult their own professional advisors for an understanding of the differences between PRC GAAP and IFRS and/or between PRC GAAP and other generally accepted accounting principles, and how those differences might affect the financial information contained herein.

Reversal of an impairment loss

Under PRC GAAP, once an impairment loss is recognised for a long term asset (including fixed assets, intangible assets and goodwill, etc.), it shall not be reversed in any subsequent period.

Under IFRS, an impairment loss recognised in prior periods for an asset other than goodwill could be reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

Certain new accounting standards with different effective dates

There are certain new accounting standards as set forth below which are not adopted by the Group under PRC GAAP yet but are effective under IFRS, due to the different adoption dates under PRC GAAP and IFRS.

Under IFRS, “IFRS 15 — Revenue from Contracts with Customers” is required to be adopted no later than 1 January 2018. “China Accounting Standard No. 14 — Revenue”, the correspondent accounting standard under the PRC GAAP, is not required for the Group to adopt before 1 January 2020. Therefore, the Group has not adopted the relevant accounting standard under PRC GAAP yet.

Under IFRS, “IFRS 16 — Leases” is required to be adopted no later than 1 January 2019. “China Accounting Standard No. 21 — Leases”, the correspondent accounting standard under the PRC GAAP, is not required for the Group to adopt before 1 January 2021. Therefore, the Group has not adopted the relevant accounting standard under PRC GAAP yet.

SUBSCRIPTION AND SALE

The Issuer is entering into a subscription agreement with the Joint Lead Managers effective as of 7 July 2020 (the "**Subscription Agreement**"), pursuant to which and subject to certain conditions contained therein, the Issuer agrees to issue, and the Joint Lead Managers severally and not jointly agree to subscribe and pay for, or to procure subscribers to subscribe and pay for, the aggregate principal amount of the Notes indicated in the following table.

Principal amount of the Notes to be subscribed by each Joint Lead Manager	**U.S.$**
Bank of China Limited	105,000,000
Bank of China (Hong Kong) Limited	105,000,000
Admiralty Harbour Capital Limited	10,000,000
The Bank of East Asia, Limited	10,000,000
BNP Paribas	10,000,000
Crédit Agricole Corporate and Investment Bank	10,000,000
DBS Bank Ltd.	10,000,000
Industrial and Commercial Bank of China (Asia) Limited	10,000,000
Natixis	10,000,000
Société Générale	10,000,000
Standard Chartered Bank	10,000,000
Total	300,000,000

The Joint Lead Managers are offering the Notes in accordance with the terms of the Subscription Agreement and subject to certain conditions contained in the Subscription Agreement, including, *inter alia*, the receipt by the Joint Lead Managers of documentation related to the issuance and sale of the Notes and legal opinions. The Subscription Agreement may be terminated by the Joint Lead Managers in certain circumstances at any time up to the time when the proceeds of the offering have been received and the Notes issued. The Subscription Agreement provides that the Issuer and the Company will indemnify the Joint Lead Managers against certain liabilities in connection with the offer and sale of the Notes.

The Issuer or, as the case may be, the Company will pay the Joint Lead Managers' customary fees and commissions in connection with the offering and will reimburse the Joint Lead Managers for certain fees and expenses incurred in connection with the offering.

The Joint Lead Managers propose initially to offer the Notes at the Issue Price set forth on the cover page of this Offering Circular and for resale in transactions not requiring registration under the Securities Act pursuant to Regulations S.

If a jurisdiction requires that the issue of the Notes be made by a licensed broker or dealer and the Joint Lead Managers or any affiliate of the Joint Lead Managers is a licensed broker or dealer in that jurisdiction, the issue of the Notes shall be deemed to be made by such Joint Lead Manager or such affiliate on behalf of the Issuer in such jurisdiction.

New Issue of the Notes

The Notes are a new issuance of securities with no established trading market. Approval in-principle has been received from the SGX-ST for the listing and quotation of the Notes on the SGX-ST. However, no assurance can be given as to the liquidity of any trading market for the Notes. A liquid or active public trading market for the Notes may not develop. If an active trading market for the Notes does not develop, the market price and liquidity of the Notes may be adversely affected. If the Notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, the performance of the Issuer and the Company and other factors.

Price Stabilisation and Short Positions

In connection with the offering, any Joint Lead Manager or any person acting on its behalf may, to the extent permitted by applicable laws and directives, engage in transactions that stabilise or otherwise affect the market price of the Notes. These transactions consist of bids or purchases for the purpose of pegging, fixing or maintaining the price of the Notes. If any Joint Lead Manager or its agent create a short position in the Notes in connection with the offering (i.e. if any Joint Lead Manager or its agent sells more Notes than are set forth on the cover page of this Offering Circular), that Joint Lead Manager or its agent may reduce that short position by purchasing Notes in the open market. In general, purchases of a Note for the purpose of stabilisation or to reduce a short position could cause the price of the Notes to be higher than it might be in the absence of such purchases. Stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may cease at any time and must be brought to an end after a limited period.

Neither the Issuer, the Company nor the Joint Lead Managers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, neither the Issuer, the Company nor the Joint Lead Managers make any representation that any Joint Lead Manager or its agent will engage in such transactions or that such transactions, once commenced, will not be discontinued without notice.

Other Relationships

Each of the Joint Lead Managers or its affiliates may purchase the Notes for its or their own account and enter into transactions, including, without limitation, credit derivatives, including asset swaps, repackaging and credit default swaps relating to the Notes or the securities of the Issuer, the Company and their respective subsidiaries or associates at the same time as the offer and sale of the Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Notes to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchaser of the Notes). Each Joint Lead Manager and/or its affiliate(s) may purchase Notes and be allocated Notes for asset management and/or proprietary purposes, acting as investor for their own accounts and not with a view to distribution, and may in that capacity may retain, purchase or sell for its own account such securities and any securities of the Issuer or the Company or related investments and may offer or sell such securities or other investments otherwise than in connection with the offering of the Notes. Accordingly, references herein to the Notes being offered should be read as including any offering of the Notes to the Joint Lead Managers and/or their respective affiliates acting in such capacity. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

The Joint Lead Managers and their affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. The Joint Lead Managers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer, the Company or their respective subsidiaries, jointly controlled entities or associates from time to time. They have received, and may in the future receive, customary fees and commissions for these transactions. In addition to the transactions noted above, the Joint Lead Managers and their affiliates may, from time to time, engage in other transactions with, and perform services for, the Issuer, the Company or their respective subsidiaries, jointly controlled entities or associates in the ordinary course of their business. In addition, the Joint Lead Managers and certain of their respective subsidiaries and affiliates may hold shares or other securities in the Issuer or the Company as beneficial owners, on behalf of clients or in the capacity of investment advisors.

General

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Notes is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

No action has been or will be taken in any jurisdiction by the Issuer or the Joint Lead Managers that would permit a public offering, or any other offering under circumstances not permitted by applicable law, of the Notes, or possession or distribution of this Offering Circular, any amendment or supplement thereto issued in connection with the proposed resale of the Notes or any other offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material or advertisements in connection with the Notes may be distributed or published, by the Issuer or the Joint Lead Managers, in or from any country or jurisdiction, except in circumstances which will result in compliance with all applicable rules and regulations of any such country or jurisdiction and will not impose any obligations on the Issuer or the Joint Lead Managers. If a jurisdiction requires that an offering of Notes be made by a licensed broker or dealer and the Joint Lead Managers or any affiliate of the Joint Lead Managers is a licensed broker or dealer in that jurisdiction, such offering shall be deemed to be made by the Joint Lead Managers or such affiliate on behalf of the Issuer in such jurisdiction.

United States

The Notes and the SBLC have not been and will not be registered under the Securities Act and may not be offered, sold or delivered within the United States except in accordance with Regulation S or pursuant to any other exemption from the registration requirements of the Securities Act. The Notes and the SBLC are being offered and sold outside of the United States in reliance on Regulation S. Each Joint Lead Manager has represented that it has not offered or sold, and agreed that it will not offer or sell, any Notes constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any "directed selling efforts" (as defined in Regulation S under the Securities Act) with respect to the Notes. Terms used in this paragraph have the meaning given to them by Regulation S under the Securities Act.

United Kingdom

Each Joint Lead Manager has represented, warranted and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer, the Company or the SBLC Bank; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Hong Kong

Each Joint Lead Manager has represented and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(b) it has not issued or had in its possession for the purposes of issue and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

The PRC

Each Joint Lead Manager has represented and agreed that neither it nor any of its affiliates has offered or sold or will offer or sell any of the Notes, directly or indirectly, in the PRC as part of the initial distribution of the Notes except as permitted by the securities laws of the PRC.

Singapore

Each Joint Lead Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented, warranted and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the "**FIEA**") and each Joint Lead Manager represented and agreed that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)) or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

British Virgin Islands

Each of the Joint Lead Managers has represented, warranted and agreed that no invitation has been made or will be made, directly or indirectly, to any person in the British Virgin Islands or to the public in the British Virgin Islands to purchase the Notes and the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the British Virgin Islands, except as otherwise permitted by the British Virgin Islands laws.

This Offering Circular does not constitute, and there will not be, an offering of the Notes to any person in the British Virgin Islands.

GENERAL INFORMATION

1. **Clearing Systems:** The Notes will be lodged and cleared through Euroclear and Clearstream with Common Code of 218229689 and ISIN of XS2182296892.

2. **Legal Entity Identifier:** the Legal Entity Identifier of the Issuer is 2549004564BZEAL33Q65.

3. **Authorisations:** The Issuer has obtained all necessary consents, approvals and authorisations in connection with the execution, issue and performance of its obligations under the Notes, the Trust Deed, the Agency Agreement, the Keepwell Deed and the SBLC. The issue of the Notes was authorised by resolutions of the sole director of the Issuer on 24 June 2020. The Company has obtained all necessary consents, approvals and authorisations in connection with the entry into the Keepwell Deed which was approved by the board of directors of the Company on 12 June 2019 and 28 May 2020 and the shareholders of the Company on 28 June 2019 and 15 June 2020. PRC counsel to the Company has advised that no approvals or consents are required from any regulatory authorities in the PRC for the Company to enter into the Keepwell Deed.

4. **NDRC Pre-issuance Registration:** Pursuant to the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Corporates (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) promulgated by the NDRC on 14 September 2015 which came into effect immediately, the Company has registered the issuance of the Notes with the NDRC and has obtained a certificate from the NDRC on 18 May 2020 evidencing such registration which as at the date of this Offering Circular, remain in full force and effect.

5. **No Material Adverse Change:** Except as disclosed in this Offering Circular, there has been no material change (nor any development or event involving a prospective change of which the Issuer of the Company is, or might reasonably be expected to be, aware) in the condition (financial or otherwise), properties, business, prospects, results of operations or management of the Issuer, the Company or the Group since 31 December 2019.

6. **Litigation:** None of the Issuer, the Company or any other member of the Group is involved in any litigation or arbitration proceedings that the Issuer or the Company, as the case may be, believes are material in the context of the Notes, nor is any of the Issuer or the Company aware that any such proceedings are pending or threatened.

7. **Available Documents:** So long as any of the Notes is outstanding, copies of the following documents, in the case of the items set out in (a) to (d) below, will be available for inspection from the Issue Date during normal business hours (being 9:00 a.m. to 3:00 p.m.) from the specified office of the Principal Payment Agent and in the case of the items set out in (e) to (g) below, the registered office of the Issuer:

   (a) the SBLC;

   (b) the Trust Deed;

   (c) the Agency Agreement;

   (d) the Keepwell Deed;

   (e) copies of the audited consolidated financial statements of the Company as at and for the three years ended 31 December 2019;

   (f) the Memorandum and Articles of Association of the Issuer; and

   (g) the Articles of Association of the Company.

8. **Financial Statements:** The consolidated financial statements of the Company as at and for the three years ended 31 December 2019 have been audited by Da Hua.

9. **Listing:** Approval in-principle has been received from the SGX-ST for the listing and quotation of the Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Offering Circular. Approval in-principle from, admission to the Official List of, and listing and quotation of the Notes on, the SGX-ST are not to be taken as an indication of the merits of the offering of the Notes, the Issuer, the Company, the Group, their respective subsidiaries or the quality of disclosure in this Offering Circular. For so long as such Notes are listed on the SGX-ST and the rules of the SGX-ST so require, such Notes will be traded on the SGX-ST in a minimum board lot size of at least U.S.$200,000.

   So long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a Paying Agent in Singapore, where the Notes may be presented or surrendered for payment or redemption, in the event that the Global Certificate is exchanged for definitive Certificates. In addition, in the event that the Global Certificate is exchanged for definitive Certificates, an announcement of such exchange shall be made through the SGX-ST and such announcement will include all material information with respect to delivery of the definitive Certificates, including details of the Paying Agent in Singapore.

10. **SBLC Bank Financial Statements:** Copies of BOC's published audited consolidated financial statements and unaudited but reviewed consolidated financial statements, as well as its public filings, can be downloaded free of charge from the websites of BOC and the Hong Kong Stock Exchange at http://www.boc.cn and www.hkexnews.hk, respectively. The financial statements of BOC are not included in and do not form part of this Offering Circular. The information contained on the websites of BOC and the Hong Kong Stock Exchange is subject to change from time to time. No representation is made by the Issuer, the Company, the Group, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers and none of the Issuer, the Company, the Group, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers takes any responsibility for any information contained on websites of BOC and the Hong Kong Stock Exchange.

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TCL Technology Group Corporation

Independent Auditor's Report

Da Hua Shen Zi [2020] No. 006660

Da Hua Certified Public Accountants（Special General Partnership）

TCL Technology Group Corporation

Independent Auditor's Report and Financial Statements

(For the three years from 1 January 2017 to 31 December 2019)

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Independent Auditor's Report

Da Hua Shen Zi [2020] No. 006660

To the Shareholders of TCL Technology Group Corporation

I Opinion

We have audited the financial statements of TCL Technology Group Corporation (the "Company"), which comprise the consolidated and parent company (the Company as the parent exclusive of subsidiaries) balance sheets as at 31 December 2019, 31 December 2018 and 31 December 2017, the consolidated and parent company statements of income, cash flows and changes in shareholders' equity for the years 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 2019, 31 December 2018 and 31 December 2017, and the consolidated and parent company operating results and cash flows for the years 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 periods. 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. Related-party transactions and outstanding amounts
2. Revenue recognition
3. Impairment of accounts receivable
4. Inventory impairment
5. Government subsidies

(I) Balances and Transactions of Related Parties

1. Matter description

The accounting year of the key audit matter: 2019

Please refer to the Note " IX Related Parties and Related-Party Transactions" to the financial statements. Related-party transactions in 2019 amounted to about RMB17.1 billion, up 99% over the previous period.

As the fair reflection of financial statements will be significantly impacted by whether related parties and related-party transactions are disclosed completely, whether related-party transactions are authentic, and whether the transaction prices are fair, we identify balances and transactions of related parties as key audit matters.

2. Audit response

The important audit procedures we carried out in respect of related-party transactions include:

(1) Understand and evaluate the management's internal control of recognizing and disclosing related party relations and transactions, and review the effectiveness of internal control design and implementation;

(2) Obtain management's statement on related party relations and their transaction integrity, and obtain the list of related party relations provided by management, and check against information obtained from other public channels;

(3) Check customers, suppliers and other related parties that have business with the company to recognize any missing of related parties. At the same time, obtain the resolutions of the board of directors and the shareholders' meeting relevant to the related party transactions, check the decision-making authority and procedures of the

related party transactions, and evaluate the legality and compliance of the related party transactions and whether they have been properly authorized and approved;

(4) Compared the sales prices of related parties with those of non-related parties for similar products to judge the fairness of related transaction prices;

(5) Obtain details of the amount and balance of related party transactions, and check the financial vouchers corresponding to the transactions and the attached contracts or orders, transfer orders, statements, invoices and bank receipts of the selected samples; In addition, send notice for the amount and balance of related transactions of important related parties; and

(6) We checked TCL Technology Group Corporation's presentation and disclosure of related parties and related-party transactions in the financial statements.

Based on the audit work executed, we believe that the integrity of management's disclosure of related party relationships, the authenticity of related-party transactions and the fairness of transaction prices are reasonable.

(II) Revenue recognition

1. Matter description

The accounting year of the key audit matter: 2019 and 2018

Please refer to the accounting policies as stated in 30. “Revenue recognition” under Note III to the financial statements and 52. Operating revenue under Note V to the financial statements. The Company’s operating revenue for 2019 and 2018 was approximately RMB74.9 billion and RMB113.4 billion respectively.

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 supporting documents involved during the transaction process, including outbound delivery orders, customers' receipt records, sale invoices, customs declarations and fund receipt proofs;

(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 analytic review procedures on the operating revenue to determine the reasonableness of changes in the revenue and gross profit margin for the current period; and

(6) We executed confirmation procedures with key accounts and inquired about the sales amount and the current account balance incurred for the current period; we carried out substitute audit procedures on the accounts with no replies.

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.

(III) Impairment of accounts receivable

1. Matter description

The accounting year of the key audit matter: 2018 and 2017

Please refer to the accounting policies as stated in 13. "Recognition criteria and making method of bad debt provision of accounts receivable" under Note III to the financial statements and in 6. Accounts receivable under Note V to the financial statements. As at 31 December 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. As at 31 December 2017, the book value of accounts receivable was RMB14.7 billion, which accounted for around 9% 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.

(IV) Inventory impairment

1. Matter description

The accounting year of the key audit matter: 2018 and 2017

Please refer to the accounting policies as stated in 17. "Inventory" under Note III to the financial statements and 10. Inventory under Note V to the financial statements. The book value of inventory for 2018 and 2017 was around RMB19.9 billion and RMB12.9 billion respectively.

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.

(V) Government subsidies

1. Matter description

The accounting year of the key audit matter: 2017

Please refer to the accounting policies as stated in 31. "Government subsidies" under Note III to the financial statements and XVI Non-Recurring Gains and Losses to the financial statements. The non-recurring government subsidies for 2017 amounted to RMB1.2 billion, accounting for a significant percentage of the gross profit of the year. As per the new accounting standards governing government subsidies which were adopted in June 2017, the Company can choose either the gross amount method or the net amount method in the treatment of its government subsidies, which has a great impact on the presentation of the financial statements. Therefore, we identify the reasonableness of the accounting treatment of government subsidies as a key audit matter.

2. Audit response

The important audit procedures we carried out in respect of government subsidies include:

(1) We understood and assessed whether the management's design and operation of internal control in respect of government subsidies were effective or not;

(2) We understood and assessed whether the management's selection and implementation of the policies related to government subsidies were reasonable or not;

(3) We assessed the reasonableness of the management's judgment in respect of the nature of government subsidies and the basis for such judgment, such as the sufficiency and reasonableness of the basis for judging whether government subsidies are assets or income related, whether they are related to routine activities, etc.;

(4) We obtained the list of government subsidies from the Company and judged the nature of government subsidies according to the new accounting standards;

(5) We checked the approval documents and bank statements of the government subsidies to confirm whether the nature, amounts and receiving time were correct or not; and

(6) We assessed the management's accounting treatment and disclosure of government subsidies to confirm whether they complied with the new accounting standard.

Based on the audit work executed, we believe that the management's accounting treatment in respect of government subsidies is reasonable.

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 2019 Annual Report, 2018 Annual Report and 2017 Annual Report other than the financial statements and our auditor's reports 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: (Engagement Partner) 邱俊洲

Chinese CPA: 江先敏

22 May 2020

Assets:	Note V	31 December 2019	31 December 2018	31 December 2017
Current assets:				
Monetary assets	1	18,648,185	26,801,343	27,459,453
Held-for-trading financial assets	2	6,074,751	-	-
Financial assets at fair value through profit or loss	3	-	1,137,580	2,231,276
Derivative financial assets	4	159,036	-	-
Notes receivable	5	228,942	4,272,222	6,170,349
Accounts receivable	6	8,340,354	13,604,358	14,747,223
Factored accounts receivable	7	-	47,087	46,449
Prepayments	8	364,423	1,194,972	910,215
Other receivables	9	2,750,042	5,719,379	3,918,316
Inventories	10	5,677,963	19,887,972	12,946,303
Assets classified as held for sale		-	18,791	-
Other current assets	11	5,911,827	7,624,097	11,666,323
Total current assets		48,155,523	80,307,801	80,095,907
Non-current assets:				
Loans and advances to customers	12	3,637,768	1,123,800	555,133
Investments in debt obligations	13	20,373	-	-
Available-for-sale financial assets	14	-	4,270,845	3,202,055
Long-term equity investments	15	17,194,284	16,957,109	15,352,014
Investments in other equity instruments	16	279,884	-	-
Other non-current financial assets	17	2,542,689	-	-
Investment property	18	82,273	1,676,211	859,890
Fixed assets	19	45,459,070	35,983,131	32,597,979
Construction in progress	20	33,578,290	38,924,586	14,775,237
Intangible assets	21	5,684,584	5,954,873	6,372,511
R&D expense	22	1,548,471	1,011,504	872,804
Goodwill	23	2,452	357,112	420,534

Assets:	Note V	31 December 2019	31 December 2018	31 December 2017
Long-term prepaid expense	24	1,567,691	1,861,333	929,124
Deferred income tax assets	25	840,874	797,882	871,843
Other non-current assets	26	4,250,659	3,537,756	3,388,953
Total non-current assets		116,689,362	112,456,142	80,198,077
Total assets		164,844,885	192,763,943	160,293,984

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.

Liabilities and shareholders' equity:	Note V	31 December 2019	31 December 2018	31 December 2017
Current liabilities:				
Short-term borrowings	27	12,069,657	13,240,637	15,990,105
Factorage financings	7	-	47,087	46,449
Borrowings from central bank	28	573,222	231,404	39,997
Customer deposits and interbank deposits	29	1,355,129	545,053	310,875
Held-for-trading financial liabilities	30	188,220	-	-
Financial liabilities at fair value through profit or loss	31	-	212,097	442,942
Derivative financial liabilities	32	84,705	-	-
Notes payable	33	1,720,402	3,092,574	2,061,471
Accounts payable	34	11,549,133	23,922,712	19,324,249
Advances from customers	35	141,749	1,460,773	1,307,900
Payroll payable	36	1,094,217	2,891,393	2,292,668
Taxes payable	37	226,806	716,534	1,273,792
Other payables	38	12,293,566	23,120,774	17,154,753
Short-term commercial papers payable	39	-	2,000,000	-
Current portion of non-current liabilities	40	1,691,963	6,009,915	5,927,528
Other current liabilities	41	69,022	1,344,451	6,075,073
Total current liabilities		43,057,791	78,835,404	72,247,802
Non-current liabilities:				
Long-term borrowings	42	38,512,059	36,864,923	20,283,381
Bonds payable	43	16,479,085	12,985,628	10,497,248
Long-term payables	44	24,206	73,902	76,309
Long-term payroll payable	36	23,018	24,246	25,519
Deferred income	45	1,912,421	2,637,229	2,664,877
Deferred income tax liabilities	25	952,678	440,352	271,157
Other non-current liabilities		483	30,586	84,755
Total non-current liabilities		57,903,950	53,056,866	33,903,246
Total liabilities		100,961,741	131,892,270	106,151,048
Share capital	46	13,528,439	13,549,649	13,514,972
Capital reserves	47	5,716,667	5,996,741	5,940,471
Less: Treasury stock	48	1,952,957	63,458	-
Other comprehensive income	68	(534,082)	(1,174,162)	219,272
Surplus reserves	49	2,238,368	2,184,261	1,494,300
General reserve	50	361	361	361
Retained earnings	51	11,115,150	10,000,973	8,577,688
Total equity attributable to shareholders of the Company as the parent		30,111,946	30,494,365	29,747,064
Non-controlling interests		33,771,198	30,377,308	24,395,872
Total shareholders' equity		63,883,144	60,871,673	54,142,936

Liabilities and shareholders' equity:	Note V	31 December 2019	31 December 2018	31 December 2017
Total liabilities and shareholders' equity		164,844,885	192,763,943	160,293,984

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.

	Note V	2019	2018	2017
1. Revenue		75,077,806	113,447,438	111,727,442
Including: Operating revenue	52	74,933,086	113,360,076	111,577,362
Interest income	53	144,720	87,362	150,080
Less: Cost of sales	52	66,337,117	92,605,589	88,663,843
Interest expense	53	17,230	72,248	79,421
Taxes and surcharges	54	330,588	661,262	665,342
Selling expense	55	2,857,489	8,887,021	9,511,064
Administrative expense	56	1,895,088	4,299,607	4,696,716
R&D expense	57	3,396,805	4,677,579	4,759,324
Finance costs	58	1,248,801	973,261	1,665,275
Including: Interest expense		1,958,251	1,782,408	1,800,106
Interest income		401,645	621,949	150,080
Add: Other income	59	1,900,636	2,218,718	1,379,941
Return on investment	60	3,442,554	2,167,254	2,438,692
Including: Share of profit or loss of joint ventures and associates		1,657,471	1,360,268	1,098,218
Foreign exchange gain	53	(12,499)	(47,714)	(22,303)
Gain on changes in fair value	61	473,673	(3,879)	309,429
Less: Credit impairment loss	62	32,258	-	-
Asset impairment loss	63	791,112	1,523,119	1,663,499
Add: Asset disposal income	64	1,157	10,071	(15,793)
2. Operating profit		3,976,839	4,092,202	4,112,924
Add: Non-operating income	65	128,609	956,809	840,251
Less: Non-operating expense	66	49,645	104,631	163,435
3. Profit before tax		4,055,803	4,944,380	4,789,740
Less: Income tax expense	67	398,069	879,182	1,245,038
4. Net profit		3,657,734	4,065,198	3,544,702
4.1 By operational continuity				
Net profit from continuing operations		2,325,647	3,553,189	3,544,702
Net profit from discontinued operations		1,332,087	512,009	-
4.2 By ownership				
Net profit attributable to owners of the Company as the parent		2,617,765	3,468,211	2,664,395
Net profit attributable to non-controlling interests		1,039,969	596,987	880,307
5. Other comprehensive income, net of tax	68	488,805	(1,663,194)	1,722,346
5.1 Other comprehensive income that will not be reclassified to profit or loss		27,642	-	-
5.2 Other comprehensive income that may subsequently be reclassified to profit or loss		461,163	(1,663,194)	1,722,346
6. Total comprehensive income		4,146,539	2,402,004	5,267,048
Attributable to shareholders of the Company as the parent		2,922,896	2,074,777	4,248,830
Attributable to non-controlling interests		1,223,643	327,227	1,018,218

	Note V	2019	2018	2017
7. Earnings per share	69			
7.1 Basic earnings per share (RMB yuan/share)		0.1986	0.2566	0.2178
7.2 Diluted earnings per share (RMB yuan/share)		0.1935	0.2562	0.2178

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.

	Note V	2019	2018	2017
1. Cash flows from operating activities:				
Proceeds from sale of commodities and rendering of services		78,966,837	123,443,026	117,699,317
Net increase/(decrease) in customer deposits and interbank deposits		810,076	234,178	90,222
Net increase/(decrease) in borrowings from central bank		341,818	191,407	26,685
Interest, handling charges and commissions received		144,720	88,208	150,524
Tax rebates		3,671,801	4,003,111	5,792,204
Cash generated from other operating activities	70	2,329,643	2,141,672	3,354,627
Subtotal of cash generated from operating activities		86,264,895	130,101,602	127,113,579
Payments for commodities and services		(58,275,622)	(90,509,473)	(83,491,509)
Net (increase)/decrease in loans and advances to customers		(4,468,399)	(1,068,789)	(508,082)
Net (increase)/decrease in deposits in central bank and in interbank loans granted		297,896	3,076,532	(2,493,199)
Cash paid to and for employees		(4,257,331)	(10,174,024)	(9,335,172)
Taxes paid		(4,291,276)	(5,000,449)	(3,461,888)
Cash used in other operating activities	71	(3,780,067)	(15,938,820)	(18,614,114)
Subtotal of cash used in operating activities		(74,774,799)	(119,615,023)	(117,903,964)
Net cash generated from/used in operating activities	72	11,490,096	10,486,579	9,209,615

	Note V	2019	2018	2017
2. Cash flows from investing activities:				
Proceeds from disinvestment		26,240,545	58,385,497	27,264,643
Return on investment		814,671	1,309,354	1,001,388
Net proceeds from disposal of fixed assets, intangible assets and other long-lived assets		92,802	81,287	164,909
Net proceeds from disposal of subsidiaries or other business units		891,326	281,174	165,604
Cash generated from other investing activities		-	1,562	-
Subtotal of cash generated from investing activities		28,039,344	60,058,874	28,596,544
Payments for acquisition of fixed assets, intangible assets and other long-lived assets		(20,116,210)	(32,798,364)	(15,656,963)
Payments for investments		(29,519,049)	(55,491,053)	(29,796,469)
Net payments for acquisition of subsidiaries and other business units		(170,198)	-	(63,645)
Cash decreased of non-consolidated subsidiaries		-	-	(4,628)
Cash used in other investing activities		(9,965,596)	-	-
Subtotal of cash used in investing activities		(59,771,053)	(88,289,417)	(45,521,705)
Net cash generated from/used in investing activities		(31,731,709)	(28,230,543)	(16,925,161)

	Note V	2019	2018	2017
3. Cash flows from financing activities:				
Capital contributions received		7,531,053	7,759,258	3,988,742
Including: Capital contributions by non-controlling interests to subsidiaries		7,523,844	7,695,800	3,988,742
Borrowings obtained		36,378,744	50,564,652	42,829,609
Proceeds from issuance of bonds		4,000,000	5,000,000	4,000,000
Cash generated from other financing activities		-	-	602,120
Subtotal of cash generated from financing activities		47,909,797	63,323,910	51,420,471
Repayment of borrowings		(29,273,623)	(38,554,966)	(39,733,145)
Payments for interest and dividends		(4,334,741)	(4,144,148)	(3,002,297)
Including: Dividends paid by subsidiaries to non-controlling interests		(99,073)	(411,272)	(296,069)
Cash used in other financing activities	73	(2,350,627)	(584,974)	(132,900)
Subtotal of cash used in financing activities		(35,958,991)	(43,284,088)	(42,868,342)
Net cash generated from/used in financing activities		11,950,806	20,039,822	8,552,129
4. Effect of foreign exchange rate changes on cash and cash equivalents		226,166	125,357	(1,371,070)
5. Net increase in cash and cash equivalents		(8,064,641)	2,421,215	(534,487)
Add: Cash and cash equivalents, beginning of the period		25,702,384	23,281,169	23,815,656
6. Cash and cash equivalents, end of the period	74	17,637,743	25,702,384	23,281,169

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.

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

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

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

	2018								
	Equity attributable to shareholders of the Company as the parent							Non-controlling interests	Total shareholders' equity
	Share capital	Capital reserves	Treasury stock	Other comprehensive income	Surplus reserves	General reserve	Retained earnings		
1. 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
2. Balances as of 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)
4. Balances as at end of the period	13,549,649	5,996,741	(63,458)	(1,174,162)	2,184,261	361	10,000,973	30,377,308	60,871,673

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.

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

Legal representative: 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.

Assets	Note XIV	31 December 2019	31 December 2018	31 December 2017
Current assets:				
Monetary assets		3,966,899	1,328,707	1,116,725
Held-for-trading financial assets		2,969,106	-	-
Financial assets at fair value through profit or loss		-	711,741	1,543,844
Notes receivable		22,514	20,497	23,031
Accounts receivable	1	445,090	194,959	340,349
Prepayments		97,127	187,895	30,648
Other receivables	2	17,129,473	18,773,353	13,640,338
Inventories		14,869	826	803
Other current assets		6,471	1,873,962	3,065,895
Total current assets		24,651,549	23,091,940	19,761,633
Non-current assets:				
Available-for-sale financial assets	3	-	1,185,430	1,224,518
Long-term equity investments	4	39,297,272	41,803,450	34,983,565
Investments in other equity instruments	5	15,000	-	-
Other non-current financial assets		1,540,913	-	-
Investment property		92,623	5,158	15,339
Fixed assets		54,238	40,058	46,319
Construction in progress		1,241	552	1,668
Intangible assets		19,145	18,776	26,367
Long-term prepaid expense		454,969	461,056	466,049
Total non-current assets		41,475,401	43,514,480	36,763,825
Total assets		66,126,950	66,606,420	56,525,458

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.

Liabilities and shareholders' equity	Note XIV	31 December 2019	31 December 2018	31 December 2017
Current liabilities:				
Short-term borrowings		6,484,481	3,300,260	5,675,260
Derivative financial liabilities		5,981	-	-
Notes payable		30,283	123,708	176,488
Accounts payable		424,225	252,801	133,412
Advances from customers		17,471	38,615	81
Payroll payable		125,095	98,753	35,789
Taxes payable		10,355	3,437	51,544
Other payables		9,347,608	6,407,742	6,237,742
Short-term commercial papers		-	2,000,000	-
Current portion of non-current liabilities		847,327	3,000,003	2,422,940
Total current liabilities		17,292,826	15,225,319	14,733,256
Non-current liabilities:				
Long-term borrowings		2,110,000	5,340,956	3,840,956
Bonds payable		16,479,085	12,985,628	10,497,248
Long-term payables		-	700	1,909
Long-term payroll payable		23,018	24,246	25,519
Deferred income		51,562	51,506	41,953
Total non-current liabilities		18,663,665	18,403,036	14,407,585
Total liabilities		35,956,491	33,628,355	29,140,841
Share capital		13,528,439	13,549,649	13,514,972
Capital reserves		8,382,776	8,565,338	8,476,523
Less: Treasury stock		1,952,957	63,458	-
Other comprehensive income		56,064	(24,870)	(13,645)
Surplus reserves		2,036,304	1,982,197	1,292,236
Retained earnings		8,119,833	8,969,209	4,114,531
Total shareholders' equity		30,170,459	32,978,065	27,384,617
Total liabilities and shareholders' equity		66,126,950	66,606,420	56,525,458

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.

	Note XIV	2019	2018	2017
1. Operating revenue	6	1,730,187	2,055,950	1,611,509
Less: Cost of sales	6	1,482,346	1,854,623	1,523,290
Taxes and surcharges		11,972	6,951	4,067
Selling expense		29,931	29,160	21,458
Administrative expense		354,036	368,820	256,962
R&D expense		160,796	123,609	98,134
Finance costs		917,158	634,124	814,496
Including: Interest expense		1,383,429	1,330,315	1,117,611
Interest income		502,967	652,821	307,476
Add: Other income		6,395	8,000	4,060
Return on investment	7	1,379,544	7,126,393	4,696,511
Including: Share of profit or loss of joint ventures and associates	7	1,149,694	931,721	599,872
Gain on changes in fair value		39,986	(54,003)	(8,168)
Less: Credit impairment loss		(1,542)	-	-
Asset impairment loss		-	41,872	66,186
Add: Asset disposal income		256,615	22,238	1,366
2. Operating profit		458,030	6,099,419	3,520,685
Add: Non-operating income		80,181	809,277	665,005
Less: Non-operating expense		9,893	9,092	30,297
3. Profit before tax		528,318	6,899,604	4,155,393
Less: Income tax expense		-	-	-
4. Net profit		528,318	6,899,604	4,155,393
5. Other comprehensive income		81,669	(11,225)	(44,515)
6. Total comprehensive income		609,987	6,888,379	4,110,878

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.

	Note XIV	2019	2018	2017
1. Cash flows from operating activities:				
Proceeds from sale of commodities and rendering of services		1,489,327	2,346,705	1,993,629
Cash generated from other operating activities		8,110,950	2,001,412	2,910,627
Subtotal of cash generated from operating activities		9,600,277	4,348,117	4,904,256
Payments for commodities and services		(1,440,521)	(2,442,452)	(1,892,558)
Cash paid to and for employees		(153,043)	(179,932)	(119,600)
Taxes paid		(73,633)	(35,117)	(12,205)
Cash used in other operating activities		(3,089,974)	(6,590,572)	(3,037,862)
Subtotal of cash used in operating activities		(4,757,171)	(9,248,073)	(5,062,225)
Net cash generated from/used in operating activities	8	4,843,106	(4,899,956)	(157,969)
2. Cash flows from investing activities:				
Proceeds from disinvestment		16,562,819	48,308,442	14,645,798
Return on investment		656,095	5,314,308	1,607,303
Net proceeds from disposal of fixed assets, intangible assets and other long-lived assets		143	242,768	4,814
Subtotal of cash generated from investing activities		17,219,057	53,865,518	16,257,915
Payments for acquisition of fixed assets, intangible assets and other long-lived assets		(5,926)	(11,466)	(18,398)
Payments for investments		(13,939,067)	(50,693,136)	(16,211,344)
Subtotal of cash used in investing activities		(13,944,993)	(50,704,602)	(16,229,742)
Net cash generated from/used in investing activities		3,274,064	3,160,916	28,173

	Note XIV	2019	2018	2017
3. Cash flows from financing activities:				
Capital contributions received		7,209	63,458	-
Borrowings obtained		11,437,982	9,771,712	15,206,136
Proceeds from issuance of bonds		4,000,000	5,000,000	4,000,000
Cash generated from other financing activities		-	-	8,000
Subtotal of cash generated from financing activities		15,445,191	14,835,170	19,214,136
Repayment of borrowings		(16,491,912)	(10,569,652)	(19,915,167)
Payments for interest and dividends		(2,394,239)	(2,364,333)	(2,979,396)
Cash used in other financing activities		(2,037,236)	(2,937)	(3,611)
Subtotal of cash used in financing activities		(20,923,387)	(12,936,922)	(22,898,174)
Net cash generated from/used in financing activities		(5,478,196)	1,898,248	(3,684,038)
4. Effect of foreign exchange rate changes on cash and cash equivalents		(26,563)	62,974	14,285
5. Net increase in cash and cash equivalents		2,612,411	222,182	(3,799,549)
Add: Cash and cash equivalents, beginning of the period		1,328,679	1,106,497	4,906,046
6. Cash and cash equivalents, end of the period	9	3,941,090	1,328,679	1,106,497

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.

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

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

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

	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
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.

	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.

I General information

(I) Place of incorporation and organization

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

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

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

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

On 19 May 2011, the Company carried out a bonus issue of 10 additional shares for every 10 shares to all the shareholders with capital reserves, representing a total of 4,238,109,417 new shares, with a par value of RMB1 per share. Upon the completion of this bonus issue, the registered capital of the Company increased from RMB4,238,109,417 to RMB8,476,218,834, and on 27 June 2011, the Company was approved by Huizhou Administration for Industry and Commerce to change its business license to Business License No. 440000000011990.
During the years of 2013 and 2014, the exercise of 58,870,080 stock options increased the share capital of the Company from 8,476,218,834 shares to 8,535,088,914 shares.

I General information (continued)

(I) Place of incorporation and organization (continued)

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

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

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

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

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

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

The Proposal on the Intended Change of the Company's Full Name and Stock Name was approved respectively at the 23rd Meeting of the 6th Board of Directors and the First Extraordinary General Meeting of 2020 held in January and February 2020. As such, the name of the Company has been changed from "TCL Corporation" to "TCL Technology Group Corporation".

As at 31 December 2019, the total issued share capital of the Company were 13,528,438,719 shares. Please refer to Note V, 46 for details.

The registered address of the Company is: TCL Tech Building, 17 Huifeng Third Road, Zhongkai Hi-Tech Development District, Huizhou City, Guangdong Province.

I General information (continued)

(II) Scope of business

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

(III) Authorization of financial statements for issue

These financial statements were authorized for issue by the Company's Board of Directors on 22 May 2020.

II Scope of the consolidated financial statements

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

III Significant accounting policies and accounting estimates

1 Basis for the preparation of financial statements

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

2 Going concern basis

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

3 Statement of compliance with corporate accounting standards

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

III Significant accounting policies and accounting estimates (continued)

4 Accounting period

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

5 Operating cycle

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

6 Base currency for bookkeeping

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

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

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

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

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

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

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

(2) Business combinations involving enterprises under common control

(a) Individual financial statement

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

III Significant accounting policies and accounting estimates (continued)

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

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

(a) Individual financial statements (continued)

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

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

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

(b) Consolidated financial statements

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

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

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

III Significant accounting policies and accounting estimates (continued)

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

(3) Business combinations involving enterprises not under common control

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

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

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

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

III Significant accounting policies and accounting estimates (continued)

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

(3) Business combinations involving enterprises not under common control (continued)

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

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

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

8 Method for compiling consolidated financial statements

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

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

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

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

III Significant accounting policies and accounting estimates (continued)

8 Method for compiling consolidated financial statements (continued)

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.

III Significant accounting policies and accounting estimates (continued)

8 Method for compiling consolidated financial statements (continued)

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.

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.

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.

III Significant accounting policies and accounting estimates (continued)

10 Foreign currency business and translation of foreign currency statement (continued)

(1) Foreign currency transactions (continued)

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.

III Significant accounting policies and accounting estimates (continued)

10 Foreign currency business and translation of foreign currency statement (continued)

(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.

11 Financial instruments (applicable for the period before 31 December 2018)

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.

III Significant accounting policies and accounting estimates (continued)

11 Financial instruments (continued)

(2) Recognition basis and measurement method of financial instruments (continued)

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 financial assets will be derecognized, while if the Company retains almost all the risks and rewards of the financial asset ownership, the financial assets will not be derecognized.

Where the transfer of financial assets meets the conditions for derecognition, 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 derecognition, the Company will keep the recognition of the transferred financial assets and recognize the consideration received as a financial liability.

(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.

III Significant accounting policies and accounting estimates (continued)

11 Financial instruments (continued)

(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 Company 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.

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.

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.

III Significant accounting policies and accounting estimates (continued)

11 Financial instruments (continued)

6 Impairment of financial assets (continued)

(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.

12 Financial instruments (applicable from 1 January 2019)

When the Company becomes a party to a financial instrument, it recognizes a financial asset or liability.

The effective interest method refers to the method of calculating the amortized cost of financial assets or liabilities and allocating interest income or interest expenses into each accounting period.

III Significant accounting policies and accounting estimates (continued)

12 Financial instruments (continued)

The effective interest rate refers to the interest rate used to discount the estimated future cash flow of a financial asset or financial liability during its expected duration to the book balance of the financial asset or the amortized cost of the financial liability. When determining the effective interest rate, the expected cash flow is estimated on the basis of considering all contract terms of financial assets or liabilities (such as prepayment, extension, call options or other similar options), but the expected credit loss is not considered.

The amortized cost of a financial asset or financial liability is the accumulated amortization amount formed by deducting the repaid principal from the initial recognition amount of the financial asset or financial liability, adding or subtracting the difference between the initial recognition amount and the maturity amount by using the effective interest method, and then deducting the accumulated accrued loss reserve (only applicable to financial assets).

(1) Classification and measurement of financial assets

According to the business model of the financial assets under management and the contractual cash flow characteristics of the financial assets, the Company divides the financial assets into the following three categories:

(a) Financial assets measured at amortized cost.

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

(c) Financial assets measured at fair value and whose changes are included in the current profit and loss.

Financial assets are measured at fair value when initially recognized, but if the accounts or notes receivable arising from the sale of goods or the provision of services do not contain significant financing components or do not consider financing components for no more than one year, the initial measurement shall be made at the transaction price.

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

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

(a) Financial assets classified as measured at amortized cost

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

III Significant accounting policies and accounting estimates (continued)

12 Financial instruments (continued)

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

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

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

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

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

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

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

III Significant accounting policies and accounting estimates (continued)

12 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

III Significant accounting policies and accounting estimates (continued)

12 Financial instruments (continued)

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

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

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

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

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

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

(2) Classification and measurement of financial liabilities

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

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

Subsequent measurement of financial liabilities depends on their classification:

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

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

III Significant accounting policies and accounting estimates (continued)

12 Financial instruments (continued)

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

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

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

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

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

The Company subsequently measures such financial liabilities at fair value. Except changes in fair value that are brought about by changes in the Company's own credit risk are included in other comprehensive income, other changes in fair value are included in current profits and losses. Unless including such changes in other comprehensive income will cause or expand accounting mismatch in profit or loss, the Company will include all changes in fair value (including the amount affected by changes in its own credit risk) in current profits and losses.

(b) Other financial liabilities

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

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

III Significant accounting policies and accounting estimates (continued)

12 Financial instruments (continued)

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

(b) Other financial liabilities (continued)

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

(3) Derecognition of financial assets and liabilities

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

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

III Significant accounting policies and accounting estimates (continued)

12 Financial instruments (continued)

(3) Derecognition of financial assets and liabilities (continued)

(b) Conditions for derecognition of financial liabilities

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

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

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

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

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

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

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

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

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

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

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

III Significant accounting policies and accounting estimates (continued)

12 Financial instruments (continued)

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

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

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

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

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

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

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

If the transfer of a financial asset does not meet the conditions for derecognition, the financial asset shall continue to be recognized and the consideration received shall be recognized as a financial liability.

(5) Determination of fair value of financial assets and liabilities

The fair value of a financial asset or liability with an active market shall be determined by the quoted price in the active market, unless the financial asset has a sell-off period for the asset itself. For the financial assets restricted for the assets themselves, the compensation amount demanded by market participants due to the risk of not being able to sell the financial assets on the open market within the specified period shall be deducted from the quoted price in the active market. Quoted prices in the active market includes those for related assets or liabilities that can be easily and regularly obtained from exchanges, dealers, brokers, industry groups, pricing or regulatory agencies, and can represent actual and recurring market transactions on the basis of fair trade.

Financial assets initially acquired or derived or financial liabilities assumed shall be determined on the basis of market transaction price.

The fair value of financial assets or liabilities without an active market shall be determined by valuation techniques. At the time of valuation, the Company adopts valuation techniques that are applicable under the current circumstances and are supported by sufficient available data and other information, selects input values consistent with the characteristics of relevant assets or liabilities considered by market participants in the transactions thereof, and gives priority to the use of relevant observable input values whenever possible. If the relevant observable input value cannot be obtained or be feasibly obtained, the unobservable input value shall be used.

III Significant accounting policies and accounting estimates (continued)

12 Financial instruments (continued)

(6) Impairment of financial instruments

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

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

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

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

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

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

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

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

III Significant accounting policies and accounting estimates (continued)

12 Financial instruments (continued)

(6) Impairment of financial instruments (continued)

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

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

(a) Significant increase of credit risk

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

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

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

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

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

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

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

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

III Significant accounting policies and accounting estimates (continued)
12 Financial instruments (continued)
(6) Impairment of financial instruments (continued)
(b) Financial assets with impairment of credit

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

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

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

(c) Determination of expected credit loss

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

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

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

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

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

III Significant accounting policies and accounting estimates (continued)

12 Financial instruments (continued)

(6) Impairment of financial instruments (continued)

(d) Write-off of financial assets

If the Company cannot reasonably expect the contract cash flow of the financial asset to be fully or partially recovered, the book balance of the financial asset will be written off directly. This write-off constitutes the derecognition of relevant financial assets.

(7) Offset of financial assets and financial liabilities

In the balance sheet, financial assets and financial liabilities are shown separately without offsetting each other. However, if the following conditions are met at the same time, the net amount after offset will be listed in the balance sheet:

(a) The Company has the legal right, which is currently enforceable, to offset the confirmed amount;

(b) The Company plans to settle on a net basis, or realize the financial assets and settle the financial liabilities at the same time.

III Significant accounting policies and accounting estimates (continued)

13 Recognition standard and accrual method of provision for bad debt for receivables (applicable before 31 December 2018)

Receivables refer to non-derivative financial assets that are not quoted in an active market, but have fixed or fixable recovery amount.

The recognition standard and accrual method of the company's provision for bad debt for receivables in 2018 are shown as follows: the Company adopts the allowance method to account for bad debt losses for receivables.

(1) Recognition standard of provision for bad debt for receivables

On the balance sheet date, the Company checks the book value of receivables. In case that objective evidence shows that receivables are impaired, impairment losses shall be confirmed and impairment reserves shall be accrued. It indicates that the receivables show signs of impairment when one of the following circumstances occurs:

(a) The debtor is stuck in serious financial difficulties;

(b) The debtor's violation of the contract terms, breach of the contract or overdue performance of its duty of debt repayment;

(c) Considering economic or legal factors, the creditor makes concessions to the debtor who is in financial difficulties;

(d) There is a great possibility of bankruptcy or other financial restructuring of the debtor;

(e) There is other objective evidence that shows impairment of receivables.

(2) Recognition criteria of bad debts

(a) The debtor goes bankrupt or dies, but still cannot recover the receivables after his bankrupt property or estate is paid off;

(b) The debtor fails to fulfill its debt-paying obligations within the time limit, which obviously indicates that the receivable cannot be recovered or the possibility of recovery is extremely small.

If it is determined that the receivables cannot be recovered, the receivables shall be written off as bad debts after being reported to and approved by the board of directors.

(3) Method of provision for bad debts

For receivables with significant single amount, the Company will conduct impairment test separately. If objective evidence shows that the receivables have been impaired, the Company will recognize impairment losses and accrue bad debt reserves according to the difference between the present value of its future cash flow and its book value. For receivables with insignificant single amount, impairment test can be carried out separately, or they can be divided into several combinations according to similar credit risk characteristics together with receivables that have not suffered impairment through separate test, and then impairment losses can be calculated and determined according to a certain proportion of the balance of receivables combination on the balance sheet date, and bad debt reserves can be accrued. The calculation and determination of bad debt reserves shall be based on a certain proportion of the balance of the receivables portfolio, and shall fully reflect the actual impairment losses incurred by each item. The determination of the accrual proportion shall be based on the actual loss rate of such portfolio and reasonably determined in combination with the current situation. The Company and its subsidiaries shall determine similar credit risk characteristic combinations according to actual conditions, including but not limited to industry distribution, regional distribution, overdue status and aging, etc. If the Company cannot reasonably determine the combination of similar credit risk characteristics, impairment test shall be conducted separately.

III Significant accounting policies and accounting estimates (continued)

14 Notes receivable (applicable since 1 January 2019)

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

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

15 Accounts receivable (applicable since 1 January 2019)

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

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

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

16 Other receivables (applicable since 1 January 2019)

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

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

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

17 Inventories

(1) Classification of inventories

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

III Significant accounting policies and accounting estimates (continued)

17 Inventories (continued)

(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

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

III Significant accounting policies and accounting estimates (continued)

18 Long-term equity investments

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

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

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

(1) Recognition of initial investment cost

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

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

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

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

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

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

III Significant accounting policies and accounting estimates (continued)

18 Long-term equity investments (continued)

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

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

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

(a) Subsequent measurement

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

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

(b) Recognition of profit and loss

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

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

III Significant accounting policies and accounting estimates (continued)

18 Long-term equity investments (continued)

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

(b) Recognition of profit and loss

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

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

III Significant accounting policies and accounting estimates (continued)

18 Long-term equity investments (continued)

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

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

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

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

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

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

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

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

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

III Significant accounting policies and accounting estimates (continued)
18 Long-term equity investments (continued)

(4) Basis for determining control, common control and significant influence on the investee

Control means having the power of control over the investee, enjoying variable returns by participating in the relevant activities of the investee, and having the ability to use the power over the investee to influence the amount of returns.

Common control means the control that is common to an arrangement in accordance with the relevant agreement, and the decisions of relevant activities of the arrangement must be made upon agreement of the Company and other parties sharing the control rights.

Significant influence means the power to participate in the decision-making of the financial and operating policies of the investee, but by which cannot control or commonly control together with other parties the formulation of the policies.

(5) Impairment test and allowance for impairment

On the balance sheet date, if there is any indication that the long-term equity investment is impaired due to continuous decline in the market price or deterioration of operating conditions of the investee, the recoverable amount of long-term equity investment is determined according to the net value of a single long-term equity investment less the disposal expenses or the present value of expected future cash flows of the long-term equity investment, whichever is higher. When the recoverable amount of the long-term equity investment is lower than the book value, the book value of assets is written-off to the recoverable amount, and the amount written-down is recognized as asset impairment losses, which is included in the current profit and loss, and the corresponding allowance for asset impairment is made.

For long-term equity investments without significant influence or quotation in an active market and whose fair value cannot be measured in a reliable way, the impairment loss is determined by the difference between the book value and the present value determined by discounting the future cash flows of similar financial assets at the current market rate of return.

Other long-term equity investments with signs of impairment other than goodwill arising from business combination, if the measurement of recoverable amount indicates that the recoverable amount of the long-term equity investment is lower than its book value, the difference is recognized as impairment losses.

Goodwill arising from a business combination is tested for impairment annually, regardless of whether there is any indication of impairment.

Once the impairment loss of long-term equity investment is confirmed, it will not be reversed.

19 Investment property

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

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

III Significant accounting policies and accounting estimates (continued)

20 Fixed assets

(1) Recognition criteria for fixed assets

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

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

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

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

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

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

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

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

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

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

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

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

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

III Significant accounting policies and accounting estimates (continued)

20 Fixed assets (continued)

(3) Depreciation method for fixed assets

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

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

Fixed assets renovation is amortized evenly over the benefit period.

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

21 Construction in progress

Construction in progress refers to the necessary expenses incurred by the Company for the purchase and construction of fixed assets or investment property before being ready for the expected usable status, including engineering materials costs, labor costs, related taxes and fees, borrowing costs that should be capitalized and indirect costs that should be apportioned. Construction in progress is accounted for separately according to individual projects.

After the construction in progress is ready for its intended use, it must be transferred to fixed assets or investment property, whether the final accounting procedures are completed or not.

III Significant accounting policies and accounting estimates (continued)

22 Borrowing costs

Borrowing costs refer to interest and other related costs incurred by the Company as a result of borrowings, including interest on borrowings, amortization of discounts or premiums, ancillary expenses, and exchange differences arising from foreign currency borrowings.

Borrowing costs that can be directly attributable to the acquisition, construction or production of assets eligible for capitalization are capitalized and included in the relevant asset cost. Other borrowing costs are recognized as expenses in the period in which they are incurred, and are included in the current profit and loss. Assets eligible for capitalization refer to fixed assets, investment property and inventories (only refers to inventories with an acquisition, construction and production process for more than one year) that require a substantial period of acquisition, construction or production activities to get ready for the intended use or sale status.

Borrowing costs refer to the interest of borrowings, the amortization of discounts or premiums, auxiliary expenses and exchange differences arising from foreign currency borrowings incurred by the Company. Borrowing costs begin to be capitalized when the following three conditions are all satisfied:

(1) Asset expenditure has occurred;

(2) Borrowing costs have occurred;

(3) The acquisition, construction or production activities necessary to enable the assets to be ready for the intended usable or saleable state have commenced.

When an asset satisfied the capitalization conditions is abnormally interrupted during the process of acquisition, construction or production and the interruption period lasts for more than three months, the capitalization of the borrowing costs is suspended and recognized as the current expenses until the acquisition, construction or production of the assets starts again. When an asset satisfied the capitalization conditions is ready for its intended use or sale, the capitalization is stopped and the borrowing costs incurred in the future are included in the current profit and loss. The period of capitalization refers to the period from the time when the borrowing costs start to be capitalized to the point when the capitalization is stopped, and the period in which the borrowing costs are suspended for capitalization is not included.

During the period of capitalization, if special borrowings are made for the acquisition, construction or production of assets eligible for capitalization, the amount of the interest expenses actually incurred during the current period of the special borrowings, less the amount of interest income earned by depositing unused borrowing funds in a bank or investment income earned by temporary investment, is recognized as the amount of capitalization. When a general loan is occupied for the purpose of purchasing, constructing or producing assets satisfied the capitalization conditions, the amount of capitalization is determined according to the weighted average of the accumulated asset expenditure exceeding the special loan portion multiplied by the capitalization rate of the general loan occupied; the capitalization rate is determined based on the weighted average interest rate of general borrowings.

III Significant accounting policies and accounting estimates (continued)

23 Intangible assets

Intangible assets are recorded at the actual cost at the time of acquisition. The service life of intangible assets is analyzed and judged at the time of acquisition. Intangible assets with a finite service life are amortized on the shortest of the estimated service lives, the beneficial period of the contract and the effective period specified by law from the time when the intangible assets are available for use. The amortization period is as follows:

Category	Amortization years
Land use rights	The shorter of the years of the land use rights and the operating years of the Company
Patents and non-patent technologies	10 years or the shorter of service life, beneficiary years and legally valid years
Software usage fee	Beneficiary period
Other	Beneficiary period

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

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

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

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

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

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

(3) The intangible assets can bring economic benefits;

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

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

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

III Significant accounting policies and accounting estimates (continued)

24 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.

25 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.

26 Asset transfer with repurchase conditions

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

III Significant accounting policies and accounting estimates (continued)

27 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.

III Significant accounting policies and accounting estimates (continued)

28 Employee benefits

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

(a) Short-term employee benefits

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

(b) Post-employment benefits

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

(c) Termination benefits

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

(d) Other long-term employee benefits

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

III Significant accounting policies and accounting estimates (continued)

29 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.

30 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

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.

III Significant accounting policies and accounting estimates (continued)

30 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.

31 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.

III Significant accounting policies and accounting estimates (continued)

32 Deferred income tax assets and deferred income tax liabilities

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

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

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

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

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

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

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

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

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

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

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

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

III Significant accounting policies and accounting estimates (continued)

33 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.

34 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.

35 Discontinued operations

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

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

III Significant accounting policies and accounting estimates (continued)

36 Changes to major accounting policies and estimates

(1) Changes to accounting policies

(a) The Company has adopted since 1 January 2019 the revised versions of certain accounting standards (revised by the Ministry of Finance in 2017), namely, the Accounting Standard No. 22 for Business Enterprises—Recognition and Measurement of Financial Instruments, the Accounting Standard No. 23 for Business Enterprises—Transfer of Financial Assets, the Accounting Standard No. 24 for Business Enterprises—Hedge Accounting, and the Accounting Standard No. 37 for Business Enterprises—Presentation of Financial Instruments (together, the "New Accounting Standards for Financial Instruments"). For details of the changed accounting policies, please refer to Item 12 in Note III to the financial statements in the full version of this report.

For the financial instruments recognized and measured before 1 January 2019 in a way that is inconsistent with the New Accounting Standards for Financial Instruments, the Company makes transitional adjustments according to the new standards. And the Company does not restate the comparable financial data of the previous period that is inconsistent with the New Accounting Standards for Financial Instruments. The difference between the original carrying amount of a financial instrument and the new carrying amount on the date of the adoption of the New Accounting Standards for Financial Instruments is recorded in the retained earnings or other comprehensive income as at 1 January 2019.
The effects of the adoption of the New Accounting Standards for Financial Instruments on the presentation of the balance sheet items as at 1 January 2019 are as follows:

Item	Carrying amount as per the old accounting standards for financial instruments	Change	Carrying amount as per the New Accounting Standards for Financial Instruments
Held-for-trading financial assets	-	2,438,866	2,438,866
Financial assets at fair value through profit or loss	1,137,580	(1,137,580)	-
Derivative financial assets	-	391,558	391,558
Notes and accounts receivable	17,876,580	(17,876,580)	-
Notes receivable	-	4,272,222	4,272,222
Accounts receivable	-	13,600,479	13,600,479
Other receivables	5,719,379	(3,196)	5,716,183
Other current assets	7,624,097	627,123	8,251,220
Loans and advances to customers	1,123,800	(627,123)	496,677
Available-for-sale financial assets	4,270,845	(4,270,845)	-
Long-term equity investments	16,957,109	160,827	17,117,936
Investments in other equity instruments	-	488,457	488,457
Other non-current financial assets	-	2,163,735	2,163,735
Financial liabilities at fair value through profit or loss	212,097	(212,097)	-
Derivative financial liabilities	-	212,097	212,097
Deferred income tax liabilities	440,352	820	441,172
Other comprehensive income	(1,174,162)	334,950	(839,212)
Retained earnings	10,000,973	(106,833)	9,894,140
Total equity attributable to owners of the Company as the parent	30,494,365	228,117	30,722,482
Non-controlling interests	30,377,308	(994)	30,376,314

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

III Significant accounting policies and accounting estimates (continued)

36 Changes to major accounting policies and estimates (continued)

(1) Changes to accounting policies (continued)

Carrying amount adjustments of financial assets classified and measured as per the New Accounting Standards for Financial Instruments:

	Carrying amount as per the old accounting standards for financial instruments (31 December 2018)	Reclassification (exclusive of change incurred by measurement)	Change incurred by measurement	Carrying amount as per the New Accounting Standards for Financial Instruments (1 January 2019)
Held-for-trading financial assets	-	2,378,390	60,476	2,438,866
Financial assets at fair value through profit or loss reclassified to held-for-trading financial assets	-	37,084	-	
Available-for-sale financial assets reclassified to held-for-trading financial assets	-	2,341,306	60,476	
Financial assets at fair value through profit or loss	1,137,580	(1,137,580)	-	-
Financial assets at fair value through profit or loss reclassified to held-for-trading financial assets	-	(37,084)	-	
Financial assets at fair value through profit or loss reclassified to derivative financial assets	-	(391,558)	-	
Financial assets at fair value through profit or loss reclassified to other non-current financial assets	-	(708,938)	-	
Derivative financial assets	-	391,558	-	391,558
Financial assets at fair value through profit or loss reclassified to derivative financial assets	-	391,558	-	
Notes receivable	-	4,272,222	-	4,272,222
Accounts receivable	-	13,604,358	(3,879)	13,600,479
Other receivables	5,719,379	-	(3,196)	5,716,183
Available-for-sale financial assets	4,270,845	(4,270,845)	-	-
Available-for-sale financial assets reclassified to held-for-trading financial assets	-	(2,341,306)	-	
Available-for-sale financial assets reclassified to investments in other equity instruments	-	(474,742)	-	
Available-for-sale financial assets reclassified to other non-current financial assets	-	(1,454,797)	-	
Long-term equity investments	16,957,109	-	160,827	17,117,936
Investments in other equity instruments	-	474,742	13,715	488,457
Available-for-sale financial assets reclassified to investments in other equity instruments	-	474,742	13,715	-

III Significant accounting policies and accounting estimates (continued)

36 Changes to major accounting policies and estimates (continued)

(1) Changes to accounting policies (continued)

Carrying amount adjustments of financial assets classified and measured as per the New Accounting Standards for Financial Instruments (continued):

	Carrying amount as per the old accounting standards for financial instruments (31 December 2018)	Reclassification (exclusive of change incurred by measurement)	Change incurred by measurement	Carrying amount as per the New Accounting Standards for Financial Instruments (1 January 2019)
Other non-current financial assets	-	2,163,735	-	2,163,735
Financial assets at fair value through profit or loss reclassified to other non-current financial assets	-	708,938	-	
Available-for-sale financial assets reclassified to other non-current financial assets	-	1,454,797	-	
Financial liabilities at fair value through profit or loss	212,097	(212,097)	-	-
Financial liabilities at fair value through profit or loss reclassified to derivative financial liabilities	-	(212,097)	-	
Derivative financial liabilities	-	212,097	-	212,097
Financial liabilities at fair value through profit or loss reclassified to derivative financial liabilities	-	212,097	-	

The effects of the reclassification or measurement of financial assets as per the New Accounting Standards for Financial Instruments on the beginning retained earnings, other comprehensive income, deferred income tax liabilities, equity attributable to owners of the Company as the parent and non-controlling interests:

Item	Carrying amount as per the old accounting standards for financial instruments (31 December 2018)	Effect of the accounting standard revisions	Carrying amount as per the New Accounting Standards for Financial Instruments (1 January 2019)
Deferred income tax liabilities	440,352	820	441,172
Other comprehensive income	(1,174,162)	334,950	(839,212)
Retained earnings	10,000,973	(106,833)	9,894,140
Total equity attributable to owners of the Company as the parent	30,494,365	228,117	30,722,482
Non-controlling interests	30,377,308	(994)	30,376,314

(b) The Company has adopted the revised version of the Accounting Standard No. 7 for Business Enterprises—Exchange of Non-Monetary Assets since 10 June 2019, and the revised version of the Accounting Standard No. 12 for Business Enterprises—Debt Restructuring since 17 June 2019. These accounting policy changes are dealt with using the prospective application method. Exchanges of non-monetary assets and debt restructuring from 1 January 2019 to the date of the adoption of the said revised standards are adjusted according to the revised standards.

III Significant accounting policies and accounting estimates (continued)

36 Changes to major accounting policies and estimates (continued)

(1) Changes to accounting policies (continued)

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

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

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

(e) Government subsidies:

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

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

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

(f) Presentation of asset disposal income:

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

III Significant accounting policies and accounting estimates (continued)

37 Correction of previous accounting errors

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

38 Changes to financial statement line items

The Ministry of Finance issued on 30 April 2019 the Notice on Revising and Issuing the Format of the 2019 Annual Financial Statements of General Enterprises (CK〔2019〕No. 6), splitting certain balance sheet items.

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 December 2018	Effect	1 January 2019
Notes and accounts receivable	17,876,580	(17,876,580)	-
Notes receivable	-	4,272,222	4,272,222
Accounts receivable	-	13,600,479	13,600,479
Notes and accounts payable	27,015,286	(27,015,286)	-
Notes payable	-	3,092,574	3,092,574
Accounts payable	-	23,922,712	23,922,712

IV 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%.

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

2 Urban maintenance and construction tax

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

IV Taxes (continued)

3 Education surcharges

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

4 Dike protection fee

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

5 Property tax

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

6 Corporate income tax

The corporate income tax rate for the Company was 25%.

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

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

Subsidiaries entitled to tax preferences:

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

7 Personal income tax

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

V Notes to Items in Consolidated Financial Statements

1 Monetary assets

	31 December 2019			31 December 2018			31 December 2017		
	In original currency	Exchange rate	In RMB	In original currency	Exchange rate	In RMB	In original currency	Exchange rate	In RMB
Cash			966			5,065			4,759
Bank deposits —			17,636,777			25,702,447			23,276,412
RMB	14,917,520	1.0000	14,917,520	19,687,152	1.0000	19,687,152	15,800,948	1.0000	15,800,948
USD	377,494	6.9762	2,633,477	733,139	6.8632	5,031,682	1,072,179	6.5342	7,005,832
HKD	36,165	0.8959	32,400	572,877	0.8763	502,012	175,953	0.8358	147,062
EUR	-	7.8252	-	24,717	7.8549	194,150	20,855	7.8035	162,742
RUB	-	0.1125	-	300,870	0.0987	29,696	106,336	0.1135	12,069
Other currencies			53,380			257,755			147,759
Deposit with central bank			570,999			868,895			3,945,427
Other monetary assets —			374,473			224,936			232,855
RMB	132,132	1.0000	132,132	224,936	1.0000	224,936	229,302	1.0000	229,302
HKD	270,500	0.8959	242,341	-	-	-	-	-	-
USD	-	-	-	-	-	-	544	6.5342	3,553
Interest receivable on deposits			64,970			-			-
Total			18,648,185			26,801,343			27,459,453

V Notes to Items in Consolidated Financial Statements (Continued)

1 Monetary assets (continued)

(1) Other monetary assets by nature

	31 December 2019	31 December 2018	31 December 2017
Security deposits	54,150	204,417	219,320
Other	320,323	20,519	13,535
	374,473	224,936	232,855

(2) Monetary assets with restricted use rights:

	31 December 2019	31 December 2018	31 December 2017
TCL Finance’s required reserve with central bank	570,999	868,895	3,945,427
Other monetary assets	374,473	224,936	232,855
Interest receivable on deposits	64,970	-	-
Guaranty deposits for accounts receivable factoring	-	5,128	-
	1,010,442	1,098,959	4,178,282

As of 31 December 2019, the Company's bank deposits of RMB 570,999,000 (at the end of 2018: RMB 868,895,000; at the end of 2017: 3,945,427,000) are the legal deposit reserves deposited in the central bank by TCL Finance Co., Ltd., a subsidiary of the Company.

As of 31 December 2019, the Company's monetary assets deposited abroad amounted to RMB 523,583,000 (at the end of 2018: RMB 4,884,301,000; at the end of 2017: RMB 2,429,037,000), all of which were the monetary assets owned by the overseas subsidiaries of the Company.

2 Held-for-trading financial assets (applicable since 1 January 2019)

	31 December 2019
Credit instrument investment	5,772,747
Equity instrument investment	302,004
	6,074,751

There is no significant restriction on the realization of the Company’s investments in held-for-trading financial assets.

V Notes to Items in Consolidated Financial Statements (Continued)

3 Financial assets at fair value through profit or loss

	31 December 2018	31 December 2017
Cash management plan	708,938	1,543,844
Derivative financial assets	418,635	687,432
Monetary fund	10,007	-
	1,137,580	2,231,276

The fair value of the Company's derivative financial assets is determined based on the real-time quotation in the foreign exchange market. The fair value change of the derivative financial assets is determined based on the difference between the contract price and the forward exchange rate quoted in the foreign exchange market on the balance sheet date.

There is no significant restriction on the realization of the Company's investments in financial assets at fair value through profit or loss.

4 Derivative financial assets (applicable since 1 January 2019)

	31 December 2019
Foreign exchange forwards	121,255
Interest rate swap	7,727
Others	30,054
	159,036

5 Notes receivable

	31 December 2019	31 December 2018	31 December 2017
Bank acceptance	207,713	2,372,024	4,081,181
Commercial acceptance	21,229	1,900,198	2,089,168
	228,942	4,272,222	6,170,349

6 Accounts receivable

	31 December 2019	31 December 2018	31 December 2017
Accounts receivable	8,385,374	14,039,251	15,131,490
Less: provision for bad debts	45,020	434,893	384,267
	8,340,354	13,604,358	14,747,223

(1) Accounts receivable in 2019 are classified by bad debt accrual method as follows:

	31 December 2019		
		Provision for bad debts	
	Book balance	The entire duration Expected credit loss rate	Book balance
Accounts receivable with provision for bad debts on a single basis			
Including:			
Accounts receivable 1	19,250	69.87%	13,450
Accounts receivable with provision for bad debts according to combination			
Including:			
Combination 1: Aging analysis	5,998,078	0.52%	31,132
Combination 2: Combination of related parties	2,368,046	0.02%	438
	8,366,124		31,570
	8,385,374		45,020

(2) Accounts receivable before 31 December 2018 are classified by bad debt accrual method as follows:

	31 December 2018				31 December 2017			
	Amount	As % of total accounts receivable	Provision for bad debts	Provision ratio	Amount	As % of total accounts receivable	Provision for bad debts	Provision 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	-	-	-	-	-	-	-	-
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 USD 500,000 (inclusive).

V Notes to Items in Consolidated Financial Statements (Continued)

6 Accounts receivable (continued)

(3) The aging of accounts receivable is analyzed as follows:

	31 December 2019		31 December 2018		31 December 2017	
	Amount	Proportion	Amount	Proportion	Amount	Proportion
Within 1 year	8,258,361	98.49%	13,486,519	96.06%	14,537,233	96.07%
1 to 2 years	96,100	1.15%	387,369	2.76%	426,154	2.82%
2 to 3 years	10,451	0.12%	58,823	0.42%	65,432	0.43%
More than 3 years	20,462	0.24%	106,540	0.76%	102,671	0.68%
	8,385,374	100%	14,039,251	100%	15,131,490	100%

(4) The provision for bad debts for accounts receivable is analyzed as follows:

	31 December 2019	31 December 2018	31 December 2017
End of last year	434,893	384,267	314,436
Changes in accounting policies	3,879	-	-
Adjusted beginning	438,772	384,267	314,436
Increased subsidiaries	-	3,863	-
Current accrual	46,633	302,172	180,199
Reversal of current period	(11,940)	(102,542)	(81,988)
Write-off of current period	(8,604)	(143,763)	(16,002)
Reduced subsidiaries	(419,974)	(11,418)	(3,184)
Exchange adjustment	133	2,314	(9,194)
Amount at the end of period	45,020	434,893	384,267

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

(6) As of 31 December 2019, the accounts receivable of the top five balances are as follows:

	31 December 2019	31 December 2018	31 December 2017
Total amount owed by the top five	3,991,332	2,694,561	2,102,125
Proportion of total accounts receivable	47.60%	19.19%	13.89%

V Notes to Items in Consolidated Financial Statements (Continued)

7 Accounts receivable factoring/factoring loans

As of 31 December 2019, there is no factoring of accounts receivable (at the end of 2018: RMB 47,087,000; at the end of 2017: RMB 46,449,000). According to the provisions of various factoring agreements, as the subsidiaries of the Company retain some risks related to accounts receivable (risks of customers' non-payment or delayed payment), the Company reflects bank loans obtained from factoring and factoring accounts receivable on the balance sheet.

8 Prepayments

(1) repayments are analyzed as follows:

	31 December 2019	31 December 2018	31 December 2017
Within 1 year	364,423	1,194,972	910,215

(2) As of 31 December 2019, the prepayments of the top five balances are as follows:

	31 December 2019	31 December 2018	31 December 2017
Total amount owed by the top five	169,266	578,751	442,136
Percentage of total prepayments	46.45%	48.43%	48.57%

9 Other receivables

	31 December 2019	31 December 2018	31 December 2017
Interest receivable	-	70,778	53,622
Dividend receivable	5,771	47,748	11,103
Other receivables	2,744,271	5,600,853	3,853,591
	2,750,042	5,719,379	3,918,316

Other receivables mainly include current accounts.

(1) Interest receivable

	31 December 2019	31 December 2018	31 December 2017
Interest on deposits and financial management	-	70,778	53,622
	-	70,778	53,622

Note: The Company has no balance of interest receivable at the end of the period, which is in accordance with the requirements of the Notice on Revising and Issuing the Format of General Enterprise Financial Statements for 2019 (CK [2019] No.6) issued by the Ministry of Finance on 30 April 2019. For an enterprise that has implemented the new financial instrument accounting standard, the interest receivable is included in the book balance of the corresponding financial instruments based on the interest accrued by the effective interest rate method.

V Notes to Items in Consolidated Financial Statements (Continued)

9 Other receivables (continued)

(2) Dividend receivable

	31 December 2019	31 December 2018	31 December 2017
Wuxi TCL Venture Capital Partnership (Limited Partnership)	5,771	-	-
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
	5,771	47,748	11,103

(3) Other receivables

	31 December 2019	31 December 2018	31 December 2017
Other accounts receivable	2,844,737	6,026,004	4,290,709
Less: provision for bad debts	100,466	425,151	437,118
	2,744,271	5,600,853	3,853,591

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

	31 December 2019	31 December 2018	31 December 2017
Subsidy receivable	1,354,557	933,187	655,021
External unit current account	993,962	892,391	220,478
Deposit and security deposit	162,934	253,144	157,494
Others	232,818	3,522,131	2,820,598
	2,744,271	5,600,853	3,853,591

V Notes to Items in Consolidated Financial Statements (Continued)

9 Other receivables (continued)

(3) Other receivables (continued)

(b) Bad debt accrual for other receivables is analyzed as follows: (applicable since 1 January 2019)

	In the next 12 months Expected credit loss	Expected credit loss for the entire duration (incurred credit impairment)	Total
End of last year	42,200	382,951	425,151
Change and adjustment of accounting policy	3,195	-	3,195
Adjusted beginning	45,395	382,951	428,346
Current accrual	4,737	-	4,737
Reversal of current period	(7,172)	-	(7,172)
Write-off in current period	-	(25,627)	(25,627)
Decrease in disposal subsidiaries	-	(302,015)	(302,015)
Exchange adjustment	2,197	-	2,197
31 December 2019	45,157	55,309	100,466

(b) Bad debt accrual for other receivables is analyzed as follows:（applicable before 1 January 2019）

	2018	2017
Beginning	437,118	369,119
Increased subsidiaries	249	-
Current accrual	55,818	86,473
Reversal of current period	(37,647)	(763)
Write-off in current period	(55,195)	(1,818)
Reduced subsidiaries	(1,378)	(14,439)
Exchange adjustment	26,186	(1,454)
Ending	425,151	437,118

V Notes to Items in Consolidated Financial Statements (Continued)

9 Other receivables (continued)

(3) Other receivables (continued)

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

	31 December 2019		31 December 2018		31 December 2017	
	Book amount	Proportion	Book amount	Proportion	Book amount	Proportion
Within 1 year	2,635,597	92.65%	5,134,601	85.21%	3,557,913	82.92%
1 to 2 years	77,938	2.74%	343,730	5.70%	238,773	5.56%
2 to 3 years	48,704	1.71%	300,090	4.98%	329,263	7.67%
More than 3 years	82,498	2.90%	247,583	4.11%	164,760	3.85%
Amount at the end of period	2,844,737	100%	6,026,004	100%	4,290,709	100%

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

(e) As of 31 December 2019, the other receivables of the top five balances are as follows:

	31 December 2019	31 December 2018	31 December 2017
Total amount owed by the top five	1,830,213	2,015,077	1,546,652
Proportion of total other receivables	64.34%	33.44%	36.05%

(f) As of 31 December 2019, there is no transfer of other receivables that do not conform to the conditions for derecognition in the balance of this account; no transaction arrangement for asset securitization with other receivables as the subject asset; and no financial instrument that is the subject of securitization and does not conform to the conditions for derecognition.

V Notes to Items in Consolidated Financial Statements (Continued)

10 Inventory

(1) Inventory is classified as follows:

	31 December 2019			31 December 2018			31 December 2017		
	Book balance	Reserve for inventory depreciation	Book value	Book balance	Reserve for inventory depreciation	Book value	Book balance	Reserve for inventory depreciation	Book value
Raw material	1,033,927	129,254	904,673	3,362,179	361,962	3,000,217	2,995,068	403,182	2,591,886
Goods in process	760,881	149,624	611,257	1,157,557	165,335	992,222	939,613	48,590	891,023
Finished goods	4,066,809	172,044	3,894,765	11,925,676	251,218	11,674,458	9,254,989	254,119	9,000,870
Turnover material	268,086	818	267,268	575,885	849	575,036	440,745	934	439,811
The real estate development cost	-	-	-	3,646,039	-	3,646,039	22,713	-	22,713
	6,129,703	451,740	5,677,963	20,667,336	779,364	19,887,972	13,653,128	706,825	12,946,303

As of 31 December 2019, the Company has no inventory for liabilities guarantee.

V Notes to Items in Consolidated Financial Statements (Continued)

10 Inventory (continued)

(2) The inventory depreciation reserves are analyzed as follows:

	31 December 2018	Current period Provision	Current period Reversal	Current period Write-off	Decreased subsidiaries	Exchange adjustment	31 December 2019
Raw material	361,962	122,168	(24,735)	(127,458)	(202,648)	(35)	129,254
Goods in process	165,335	242,331	(38,157)	(181,012)	(38,873)	-	149,624
Finished goods	251,218	280,748	(13,909)	(168,275)	(177,608)	(130)	172,044
Turnover material	849	28	(31)	-	(28)	-	818
	779,364	645,275	(76,832)	(476,745)	(419,157)	(165)	451,740

	31 December 2017	Current period Provision	Current period Reversal	Current period Write-off	Decreased subsidiaries	Exchange adjustment	31 December 2018
Raw material	403,182	523,553	(102,386)	(443,527)	(18,729)	(131)	361,962
Goods in process	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
Turnover material	934	31	-	(116)	-	-	849
	706,825	1,231,308	(231,618)	(884,481)	(45,304)	2,634	779,364

11 Other current assets

	31 December 2019	31 December 2018	31 December 2017
Creditors' investment	1,596,741	3,495,330	9,560,334
VAT to be deducted, to be certified, etc.	2,299,416	4,056,515	2,075,997
Loans and advances due within one year (note)	1,968,056	-	-
Other	47,614	72,252	29,992
	5,911,827	7,624,097	11,666,323

Note Loans and advances due within one year are loans due within the next year issued by TCL Finance Co., Ltd. (a subsidiary of the Company), Guangzhou TCL Internet Microcredit Co., Ltd. and Huizhou Zhongkai TCL Zhirong Technology Microcredit Co., Ltd., of which interest receivable is RMB 13,626,000.

V Notes to Items in Consolidated Financial Statements (Continued)

12 Loans and advances paid

	31 December 2019	31 December 2018	31 December 2017
Loans and advances paid (note)	3,637,768	1,123,800	555,133

Note Loans and advances granted are loans granted by TCL Finance Co., Ltd. (a subsidiary of the Company), Guangzhou TCL Internet Microcredit Co., Ltd. and Huizhou Zhongkai TCL Zhirong Technology Microcredit Co., Ltd., of which interest receivable is RMB 73,407,000.

13 Creditors' investment (applicable since 1 January 2019)

	31 December 2019
National debt	20,373

14 Available-for-sale financial assets (applicable before 31 December 2018)

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

Note Available-for-sale equity instruments - measured at fair value

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

V Notes to Items in Consolidated Financial Statements (Continued)

15 Long-term equity investments

	31 December 2019			31 December 2018		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Unconsolidated subsidiaries (1)	-	-	-	20,373	20,373	-
Long-term equity investment calculated by equity method	17,217,130	22,846	17,194,284	17,107,596	150,487	16,957,109
Including: Associates (2)	17,042,572	22,846	17,019,726	16,469,945	133,725	16,336,220
Joint Ventures (3)	174,558	-	174,558	637,651	16,762	620,889
	17,217,130	22,846	17,194,284	17,127,969	170,860	16,957,109

	31 December 2017		
	Book balance	Provision for impairment	Book value
Unconsolidated subsidiaries (1)	20,373	20,373	-
Long-term equity investment calculated by equity method	15,471,223	119,209	15,352,014
Including: Associates (2)	14,806,411	102,447	14,703,964
Joint Ventures (3)	664,812	16,762	648,050
	15,491,596	139,582	15,352,014

As of 31 December 2019, the Company has set aside long-term investment impairment reserve for the amount of invested units with poor management and insolvent assets. In addition, there are no major restrictions on the realization of investment and the remittance of investment income for long-term equity investment.

V Notes to Items in Consolidated Financial Statements (Continued)

15 Long-term equity investments (continued)

(1) Unconsolidated subsidiaries

Name of invested company	Percentage of its registered capital	Initial investment	Profit and loss adjustment: Changes in current profits and losses	Profit and loss adjustment: Cumulative change in profit or loss	Provision for impairment: Decrease in current period	Provision for impairment: Cumulative amount	31 December 2019
Jinke Holding Group Co., Ltd.	75.50%	20,373	-	-	(20,373)	(20,373)	-

Name of invested company	Percentage of its registered capital	Initial investment	Profit and loss adjustment: Changes in current profits and losses	Profit and loss adjustment: Cumulative change in profit or loss	Provision for impairment: Increase in current period	Provision for impairment: Cumulative amount	31 December 2018
Jinke Holding Group Co., Ltd.	75.50%	20,373	-	-	-	(20,373)	-

V Notes to Items in Consolidated Financial Statements (Continued)

15 Long-term equity investments (continued)

(2) Associates

Name of invested company	31 December 2018	Opening adjustment	Increase or decrease investment in the current period	Increase or decrease in current period: Investment gains and losses recognized by equity method	Other comprehensive income adjustments	Changes in other interests	Declared cash dividends or profits	Accrued Provision for impairment	Other increases and decreases	31 December 2019
Bank of Shanghai Co., Ltd.	8,363,564	-	188,813	1,018,493	81,483	-	(245,339)	-	(92,403)	9,314,611
China Innovative Capital Management Limited	-	-	838,800	39,120	-	-	-	-	-	877,920
Huan Tech Co., Ltd.	180,364	-	-	(684)	-	-	-	-	(179,680)	-
Tianjin 712 Communication & Broadcasting Co., Ltd.	704,224			65,853			(7,362)		(245)	762,470
LG Electronics(Hui Zhou) INC.	83,902	-	-	16,881	-	-	(8,200)	-	-	92,583
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	45,034	-	-	(4,197)	-	-	-	-	-	40,837
Shenzhen Jucai Supply Chain Technology Co., Ltd.	5,158	-	-	184	-	-	-	-	-	5,342
Shenzhen Tixiang Management Technology Co., Ltd.	2,013	-	-	65	-	-	-	-	-	2,078
TCL Nanyang Electric Appliance (Guangzhou) Co., Ltd.	4,706	-	-	(577)	-	-	-	-	(2,314)	1,815
TCL Air Conditioner (Wuhan) Co., Ltd.	-	-	27,720	9,946	-	-	-	-	-	37,666
TCL Finance (Hong Kong) Co., Limited	-	-	12,031	(11,059)	-	-	-	-	-	972
Zhihui Xinyuan Commercial (Huizhou) Co., Ltd.	-	-	7,500	1,188	-	-	-	-	-	8,688
Huizhou TCL Environmental Resource Co., Ltd.	-	-	77,434	2,556	-	-	-	-	-	79,990
Guangdong Rongchuang Lingyue Intelligent Manufacturing and Information Technology Industry Equity Investment Fund Partnership (Limited Partnership)	-	-	375,000	20	-	-	-	-	-	375,020
Guangdong Yuecai Emerging Industry Equity Investment Fund Partnership (Limited Partnership)	-	-	150,000	(507)	-	-	-	-	-	149,493
Shenzhen Tianyi Hemeng Education Co., Ltd.	-	-	8,000	(1,675)	-	-	-	-	-	6,325
Yizheng Zeyu Electric Light Co., Ltd.	2,507	-	-	-	-	-	-	-	-	2,507

V Notes to Items in Consolidated Financial Statements (Continued)

15 Long-term equity investments (continued)

(2) Associates

Name of invested company	31 December 2018	Opening adjustment	Increase or decrease in current period: Increase or decrease investment in the current period	Investment gains and losses recognized by equity method	Other comprehensive income adjustments	Changes in other interests	Declared cash dividends or profits	Accrued Provision for impairment	Other increases and decreases	31 December 2019
Urumqi TCL Equity Investment Management Co., Ltd.	1,048	-	-	(178)	-	-	-	-	-	870
Hubei Changjiang Hezhi Equity Investment Fund Partnership (Limited Partnership)	1,047,882	19,646	-	58,642	-	-	-	-	11,329	1,137,499
Xinjiang Dongpeng Weichuang Equity Investment Partnership (Limited Partnership)	956,754	-	(469,015)	257,210	5	-	(117,898)	-	(41,833)	585,223
Deqing Puhua Equity Investment Fund Partnership (Limited Partnership)	207,047	-	-	(1,571)	-	-	-	-	-	205,476
Xinjiang Dongpeng Heli Equity Investment Partnership (Limited Partnership)	116,550	-	86,816	(3,763)	-	-	-	-	-	199,603
Wuxi TCL Aisikai Semiconductor Industry Investment Fund Partnership (Limited Partnership)	86,121	-	25,508	3,291	-	-	(152)	-	-	114,768
Wuxi TCL Venture Capital Partnership (Limited Partnership)	92,382	-	(24,477)	31,130	(4,789)	-	(32,836)	-	(26,864)	34,546
Ningbo Meishan Bonded Port Qiyu Investment Management Partnership (Limited Partnership)	69,178	-	-	(1,410)	-	-	-	-	-	67,768
Changzhou A Dynamic Venture Capital Partnership (Limited Partnership)	58,578	-	(60,000)	1,422	-	-	-	-	-	-
Shanghai Chuangxiang Venture Capital Partnership (Limited Partnership)	25,828	4,903	(6,498)	(33)	16	-	-	-	5,451	29,667
Nanjing Zijin Chuangdong Investment Partnership (Limited Partnership)	25,997	-	-	(22)	7	-	-	-	-	25,982
Huizhou Kaichuang Venture Investment Partnership (Limited Partnership)	23,839	-	-	(3,940)	(6,188)	-	(7,188)	-	2,231	8,754

V Notes to Items in Consolidated Financial Statements (Continued)

15 Long-term equity investments (continued)

(2) Associates

Name of invested company	31 December 2018	Increase or decrease in current period									31 December 2019
		Opening adjustment	Increase or decrease investment in the current period	Investment gains and losses recognized by equity method	Other comprehensive income adjustments	Changes in other interests	Declared cash dividends or profits	Accrued Provision for impairment	Other increases and decreases		
Beijing A Dynamic Venture Capital Center (Limited Partnership)	20,366	-	-	(19)	(1,029)	-	-	-	1,690		21,008
Yixing Jiangnan Tianyuan Venture Capital Company (Limited Partnership)	22,173	-	(1,517)	(1,675)	(1,013)	-	-	-	(37)		17,931
Shenzhen Chuangdong New Industry Investment Fund Enterprise (Limited Partnership)	12,408	-	(1,183)	212	-	-	-	-	-		11,437
Hubei Changjiang Hezhi Equity Investment Fund Management Co., Ltd.	4,391	-	-	(90)	-	-	-	-	-		4,301
Huizhou Kaimeng Angel Investment Partnership (Limited Partnership)	2,869	-	-	-	-	-	-	-	-		2,869
Shenzhen Jiutian Matrix Investment Management Co., Ltd.	1,445	-	-	508	-	-	-	-	-		1,953
Urumqi Qixinda Equity Investment Management Co., Ltd.	945	-	-	451	-	-	-	-	-		1,396
Urumqi TCL Create Dynamic Equity Investment Management Co., Ltd.	763	-	-	(3)	-	-	-	-	-		760
Beijing A Dynamic Investment Consulting Co., Ltd.	635	-	-	(80)	-	-	-	-	-		555
Shanghai Gen Auspicious Investment Management Co., Ltd.	516	-	-	2	-	-	-	-	-		518
Changzhou Chuangdong Fund Management Co., Ltd.	506	-	-	30	-	-	-	-	-		536
Nanjing A Dynamic Equity Investment Fund Management Co., Ltd.	386	-	-	(99)	-	-	-	-	-		287
Ningbo Meishan Bonded Port Renxing Culture Investment Center (Limited Partnership)	3,767	-	(3,854)	1,208	-	-	-	-	(1,121)		-

V Notes to Items in Consolidated Financial Statements (Continued)

15 Long-term equity investments (continued)

(2) Associates

Name of invested company	31 December 2018	Opening adjustment	Increase or decrease investment in the current period	Increase or decrease in current period: Investment gains and losses recognized by equity method	Other comprehensive income adjustments	Changes in other interests	Declared cash dividends or profits	Accrued Provision for impairment	Other increases and decreases	31 December 2019
Wuxi TCL Medical Imaging Technology Co., Ltd.	-	-	30,730	19,488	-	-	-	-	46	50,264
Beijing WeMed Medical Equipment Co., Ltd.	5,104	-	(193)	(5,830)	-	-	-	-	12,891	11,972
Shanghai Huiying Medical Technology Co., Ltd.	-	-	1,000	(891)	-	-	-	-	333	442
AGC New Electronic Display Glass (Shenzhen) Co., Ltd.	220,468	-	96,138	(37,164)	-	-	-	-	-	279,442
TCL Ventures Fund L.P.	-	-	44,706	(6,653)	-	-	-	-	1,556	39,609
Getech Ltd.	-	-	20,000	(12,424)	-	-	-	-	-	7,576
Qingteng Intellectual Property Holding (Shenzhen) Co., Ltd.	3,921	-	-	(3,921)	-	-	-	-	-	-
Canyon Circuit Technology (Huizhou) Co., Ltd.	22,085	-	-	884	-	-	-	-	(22,969)	-
TCL Rechi (Huizhou) Refrigeration Equipment Co., Ltd.	177,112	-	-	2,773	-	-	-	-	(179,885)	-
Wuhan Shangde Plastics Technology Co., Ltd.	5,968	-	-	25	-	-	-	-	(5,993)	-
Gaoshengda Holdings (Huizhou) Co., Ltd.	60,960	-	-	6,710	-	-	-	-	(67,670)	-
Shenzhen Shenchangcheng Commercial Property Service Co., Ltd.	2,844	-	-	417	-	-	-	-	(3,261)	-
Amlogic (Shanghai) Limited	144,589	-	-	(876)	-	-	-	-	(143,713)	-
SEMP TCL INDUSTRIA E COMERCIO DE ELETROELETRONICOS S.A.	327,631	-	-	-	-	-	-	-	(327,631)	-
Naturedao Information Science and Technology, Ltd.	3,063	-	-	-	-	-	-	-	(3,063)	-
T2Mobile Limited	21,612	-	-	(1,184)	-	-	-	-	(20,428)	-
Harvey Holdings Limited	22,261	-	-	(1,847)	-	-	-	-	(20,414)	-
Shenzhen Thunderbird Network Technology Co., Ltd.	289,752	-	-	11,332	-	-	-	-	(301,084)	-
Jiangxi Broadcasting TV Network E-Commerce Co., Ltd.	1,480	-	-	(39)	-	-	-	-	(1,441)	-

V Notes to Items in Consolidated Financial Statements (Continued)

15 Long-term equity investments (continued)

(2) Associates

Name of invested company	31 December 2018	Opening adjustment	Increase or decrease investment in the current period	Increase or decrease in current period: Investment gains and losses recognized by equity method	Other comprehensive income adjustments	Changes in other interests	Declared cash dividends or profits	Accrued Provision for impairment	Other increases and decreases	31 December 2019
Tibet Dongwei Investment Management Center (Limited Partnership)	232	-	(250)	(1)	-	-	-	-	19	-
Active Industries International Limited	15,417	-	-	-	-	-	-	-	(15,417)	-
China Merchants Real Estate (Pingshan, Shenzhen) Co., Ltd.	377,122	-	-	-	-	-	-	-	(377,122)	-
Taiyang Electro-optic (Huizhou) Co., Ltd.	13,707	-	-	282	-	-	-	-	(13,989)	-
Palm Venture Group	87,869	-	-	(3,582)	-	-	-	-	(84,287)	-
Huarui (Huizhou) Co., Ltd.	19,753	-	-	(33)	-	-	-	-	(19,720)	-
TCL Very Lighting Technology (Huizhou) Co., Ltd.	16,736	-	-	(158)	-	-	-	-	(16,578)	-
Sontec TCL Argentina S.A.	512	-	-	-	-	-	-	-	(512)	-
Radio Victoria TCL Argentina S.A.	8,667	-	-	-	-	-	-	-	(8,667)	-
Huizhou Gaoshengda Metals Co., Ltd.	29,539	-	-	26	-	-	-	-	(29,565)	-
Beijing Shangdao Yuetu Technology Co., Ltd.	7,278	-	-	(1,351)	-	-	-	-	(5,927)	-
Other	2,276,692	136,278	-	192,178	-	-	(45,810)	-	(160,941)	2,398,397
	16,336,220	160,827	1,423,209	1,634,991	68,492	-	(464,785)	-	(2,139,228)	17,019,726

Note: Associates with zero closing balance of long-term equity investment are due to the spin-off of assets in the current period.

V Notes to Items in Consolidated Financial Statements (Continued)

11 Long-term equity investments (continued)

(2) Associates

Name of invested company	31 December 2017	Increase or decrease investment in the current period	Increase or decrease in current period						31 December 2018
			Investment gains and losses recognized by equity method	Other comprehensive income adjustments	Changes in other interests	Declared cash dividends or profits	Accrued Provision for impairment	Other increases and decreases	
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	-	-	-	-	-	-	-	-	-

V Notes to Items in Consolidated Financial Statements (Continued)

15 Long-term equity investments (continued)

(2) Associates (continued)

Name of invested company	31 December 2017	Increase or decrease in current period								31 December 2018
		Increase or decrease investment in the current period	Investment gains and losses recognized by equity method	Other comprehensive income adjustments	Changes in other interests	Declared cash dividends or profits	Accrued Provision for impairment	Other increases and decreases		
SEMP TCL INDUSTRIA E COMERCIO DE ELETROELETRONICOS 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
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

V Notes to Items in Consolidated Financial Statements (Continued)

15 Long-term equity investments (continued)

(2) Associates (continued)

Name of invested company	31 December 2017	Increase or decrease in current period: Increase or decrease investment in the current period	Investment gains and losses recognized by equity method	Other comprehensive income adjustments	Changes in other interests	Declared cash dividends or profits	Accrued Provision for impairment	Other increases and decreases	31 December 2018
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
Qingteng Intellectual Property Holding (Shenzhen) Co., Ltd.	-	4,900	(979)	-	-	-	-	-	3,921
Beijing Shangdao Yuetu Technology Co., Ltd.	-	7,686	(408)	-	-	-	-	-	7,278

V Notes to Items in Consolidated Financial Statements (Continued)

15 Long-term equity investments (continued)

(2) Associates (continued)

Name of invested company	31 December 2017	Increase or decrease investment in the current period	Increase or decrease in current period: Investment gains and losses recognized by equity method	Other comprehensive income adjustments	Changes in other interests	Declared cash dividends or profits	Accrued Provision for impairment	Other increases and decreases	31 December 2018
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
Radio Victoria TCL Argentina S.A.	-	3,280	5,387	-	-	-	-	-	8,667
Huizhou Gaoshengda Metals Co., Ltd.	-	30,000	(461)	-	-	-	-	-	29,539

15 Long-term equity investments (continued)

(2) Associates (continued)

Name of invested company	31 December 2017	Increase or decrease investment in the current period	Increase or decrease in current period						31 December 2018
			Investment gains and losses recognized by equity method	Other comprehensive income adjustments	Changes in other interests	Declared cash dividends or profits	Accrued Provision for impairment	Other increases and decreases	
China United Magnesium Co.,Ltd.	-	-	-	-	-	-	-	-	-
TCL-IMAX Entertainment Co., Limited	-	-	-	-	-	-	-	-	-
Others	2,762,346	-	188,487	-	-	(65,972)	-	(44,230)	2,840,631
Total	14,703,964	464,226	1,334,263	132,924	-	(443,349)	(31,278)	175,474	16,336,220

V Notes to Items in Consolidated Financial Statements (Continued)

15 Long-term equity investments (continued)

(3) Joint Ventures

Name of invested company	Amount at beginning of year	Increase or decrease in current period						Other increases and decreases	31 December 2019
		Increase or decrease investment in the current period	Investment gains and losses recognized by equity method	Other comprehensive income adjustments	Other change in equity	Declared cash dividends or profits	Accrued Provision for impairment		
TV University Online Distance Education Technology Co., Ltd.	111,062	-	25,754	-	-	-	-	1,087	137,903
Huizhou TCL Taidong Shihua Investment Co., Ltd.	19,143	-	(6,364)	-	-	-	-	-	12,779
Shanxi TCL Huirong Venture Investment Co., Ltd.	6,098	-	16,535	-	-	-	-	-	22,633
TCL Huizhou City, Kai Enterprise Management Limited	514	-	729	-	-	-	-	-	1,243
TCL Sun, Inc.	13,899	-	1,437	-	-	-	-	(15,336)	-
CJ Speedex Logistics Co., Ltd.	467,888	-	(1,489)	-	-	-	-	(466,399)	-
TCL Zhiyi Technology (Huizhou) Co., Ltd.	2,285	-	(5)	-	-	-	-	(2,280)	-
	620,889	-	36,597	-	-	-	-	(482,928)	174,558

Note: Joint ventures with zero closing balance of long-term equity investment are due to the spin-off of assets in the current period.

V Notes to Items in Consolidated Financial Statements (Continued)

15 Long-term equity investments (continued)

(3) Joint Ventures (continued)

Name of invested company	Amount at beginning of year	Increase or decrease investment in the current period	Increase or decrease in current period					Other increases and decreases	31 December 2018
			Investment gains and losses recognized by equity method	Other comprehensive income adjustments	Other change in equity	Declared cash dividends or profits	Accrued Provision for impairment		
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
	648,050	(530)	26,005	-	-	(53,568)	-	932	620,889

V Notes to Items in Consolidated Financial Statements (Continued)

15 Long-term equity investments (continued)

(4) Impairment provision for long-term equity investments

	31 December 2018	Increase in current period	Decrease in current period	31 December 2019	Notes
Pride Telecom Limited	1,624	-	-	1,624	Note 1
Naturedao Information Science and Technology, Ltd.	2,221	-	(2,221)	-	Note 2
Jinke Holding Group Co., Ltd.	20,373	-	(20,373)	-	Note 2
China United Magnesium Co.,Ltd.	97,387	-	(97,387)	-	Note 2
Wealthy Way Group Limited	1,215	-	(1,215)	-	Note 2
Beijing WeMed Medical Equipment Co., Ltd.	31,278	-	(10,056)	21,222	Note 1
TCL - I MAX Entertainment Co., Limited	16,762	-	(16,762)	-	Note 2
	170,860	-	(148,014)	22,846	

Note1 Impairment provisions 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 The decrease in the current period is the transfer-out caused by the spin-off of assets.

	31 December 2017	Increase in current period	Decrease in current period	31 December 2018	Reason
Pride Telecom Limited	1,624	-	-	1,624	Note 3
Naturedao Information Science and Technology, Ltd.	2,221	-	-	2,221	Note 3
Jinke Holding Group Co., Ltd.	20,373	-	-	20,373	Note 4
China United Magnesium Co.,Ltd.	97,387	-	-	97,387	Note 3
Wealthy Way Group Limited	1,215	-	-	1,215	Note 3
Beijing WeMed Medical Equipment Co., Ltd.	-	31,278	-	31,278	Note 3
TCL-IMAX Entertainment Co., Limited	16,762	-	-	16,762	Note 3
	139,582	31,278	-	170,860	

Note3 Impairment provisions 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 4 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.

V Notes to Items in Consolidated Financial Statements (Continued)

16 Other equity instruments (applicable since 1 January 2019)

	31 December 2019
Non-trading equity instruments	279,884

Item name	Dividend income recognized	Accumulated gains	Accumulated losses	Amount of other comprehensive income transferred to retained earnings	Reasons designated as measured at fair value and whose changes are included in other comprehensive income	Reasons for other comprehensive income transferred to retained earnings
Non-trading equity instruments	-	-	(144,193)	(5,569)	Non-transactional financial assets	Sale in current period

17 Other non-current financial assets (applicable since 1 January 2019)

	31 December 2019
Equity investment	2,531,111
Creditors' investment	11,578
	2,542,689

V Notes to Items in Consolidated Financial Statements (Continued)

18 Investment property

	Housing and buildings	Land use right	Total
Gross amount:			
31 December 2018	2,702,083	247,463	2,949,546
Increase			
Increase in current period	70,788	75,486	146,274
Reclassified from fixed assets and intangible assets	26,920	595	27,515
Reclassified from construction in progress	552	-	552
Decrease			
Decrease in current period	(69,134)	(75,486)	(144,620)
Reduced subsidiaries	(2,543,912)	(247,463)	(2,791,375)
Reclassified to fixed assets and intangible assets	(52,653)	(118)	(52,771)
31 December 2019	134,644	477	135,121
Accumulated depreciation and amortization:			
31 December 2018	1,260,111	13,224	1,273,335
Increase			
Increase in current period	98,214	1,278	99,492
Reclassified from fixed assets and intangible assets	3,021	126	3,147
Decrease			
Decrease in current period	(63,976)	(630)	(64,606)
Reduced subsidiaries	(1,210,610)	(13,866)	(1,224,476)
Reclassified to fixed assets and intangible assets	(34,018)	(26)	(34,044)
31 December 2019	52,742	106	52,848
Net value of investment property:			
31 December 2019	81,902	371	82,273
31 December 2018	1,441,972	234,239	1,676,211

V Notes to Items in Consolidated Financial Statements (Continued)

18 Investment property (continued)

	Housing and buildings	Land use right	Total
Gross amount:			
31 December 2017	2,056,279	25,805	2,082,084
Increase			
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
Decrease			
Decrease in current period	(14,842)	(7,547)	(22,389)
Reduced subsidiaries	(207,858)	-	(207,858)
Reclassified to fixed assets and intangible assets	(7,921)	-	(7,921)
Exchange adjustment	5,552	256	5,808
31 December 2018	2,702,083	247,463	2,949,546
Accumulated depreciation and amortization:			
31 December 2017	1,215,651	6,543	1,222,194
Increase	-	-	-
Increase in current period	52,606	3,752	56,358
Reclassified from fixed assets and intangible assets	4,762	2,835	7,597
Decrease			
Decrease in current period	(784)	-	(784)
Reduced subsidiaries	(13,546)	-	(13,546)
Reclassified to fixed assets and intangible assets	(749)	-	(749)
Exchange adjustment	2,171	94	2,265
31 December 2018	1,260,111	13,224	1,273,335
Net value of investment property:			
31 December 2018	1,441,972	234,239	1,676,211
31 December 2017	840,628	19,262	859,890

V Notes to Items in Consolidated Financial Statements (Continued)

19 Fixed assets

	Housing and buildings	Fixed assets renovation	Machinery equipment	Office and electronic equipment	Means of transport	Total
Gross amount:						
31 December 2018	13,062,161	382,091	47,752,417	1,831,728	112,496	63,140,893
Increase						
Purchase	27,460	2,293	487,844	189,086	23,448	730,131
Reclassified from investment property	52,653	-	-	-	-	52,653
Reclassified from construction in progress	6,556,484	527	12,358,589	643,873	2,199	19,561,672
Decreased						
Written down with government subsidies	-	-	(694,587)	(5,945)	(503)	(701,035)
Reduced subsidiaries	(3,255,850)	(376,732)	(3,348,480)	(844,702)	(48,207)	(7,873,971)
Reclassified to investment property	(26,920)	-	-	-	-	(26,920)
Other decreases	(3,964)	(2,269)	(122,140)	(54,371)	(4,733)	(187,477)
Exchange adjustment	(4,779)	661	(2,847)	(1,114)	(113)	(8,192)
31 December 2019	16,407,245	6,571	56,430,796	1,758,555	84,587	74,687,754
Accumulated depreciation:						
31 December 2018	2,410,859	283,254	23,235,237	1,077,885	67,708	27,074,943
Increase						
Provision	497,160	7,973	6,294,411	238,368	15,916	7,053,828
Reclassified from investment property	34,018	-	-	-	-	34,018
Decreased						
Written down with government subsidies	(34,215)	-	(901,358)	(6,048)	(503)	(942,124)
Reduced subsidiaries	(1,029,450)	(280,961)	(1,930,748)	(608,368)	(28,766)	(3,878,293)
Reclassified to investment property	(3,021)	-	-	-	-	(3,021)
Other decreases	(1,888)	(1,537)	(65,028)	(47,983)	(3,598)	(120,034)
Exchange adjustment	1,823	(4,436)	(2,950)	(1,533)	(94)	(7,190)
31 December 2019	1,875,286	4,293	26,629,564	652,321	50,663	29,212,127
Net value of fixed assets:						
31 December 2019	14,531,959	2,278	29,801,232	1,106,234	33,924	45,475,627
31 December 2018	10,651,302	98,837	24,517,180	753,843	44,788	36,065,950

V Notes to Items in Consolidated Financial Statements (Continued)

19 Fixed assets (continued)

	Housing and buildings	Fixed assets renovation	Machinery equipment	Office and electronic equipment	Means of transport	Total
Provision for impairment:						
31 December 2018	1,141	990	69,329	11,276	83	82,819
Current accrual	-	-	2,957	43	-	3,000
Reduced subsidiaries	(1,141)	(990)	(63,160)	(1,130)	(83)	(66,504)
Write-off in current period	-	-	(2,760)	(298)	-	(3,058)
Exchange adjustment	-	-	300	-	-	300
31 December 2019	-	-	6,666	9,891	-	16,557
Net amount of fixed assets:						
31 December 2019	14,531,959	2,278	29,794,566	1,096,343	33,924	45,459,070
31 December 2018	10,650,161	97,847	24,447,851	742,567	44,705	35,983,131

Please refer to Item 42 of Note V for information on fixed asset mortgage. As at 31 December 2019, the Company has no temporarily idle fixed assets; the gross amount of the fixed assets that were sufficiently depreciated and still in use was RMB 12,064,591,000.

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

	Gross amount	Accumulated depreciation	Provision for impairment	Carrying amount	Expected time of obtaining ownership certificate
Housing and buildings (Note)	8,678,263	345,457	-	8,332,806	Within 2020

Note As at 31 December 2019, the fixed assets with pending ownership certificates of the Company are mainly the housing and buildings of CSOT’s T4 and T6 manufacturing bases and Huizhou module factory.

V Notes to Items in Consolidated Financial Statements (Continued)

19 Fixed assets (continued)

	Housing and buildings	Fixed assets renovation	Machinery equipment	Office and electronic equipment	Means of transport	Total
Gross amount:						
31 December 2017	12,333,627	372,125	41,201,902	1,561,753	104,551	55,573,958
Increase						
Increased subsidiaries	-	48	24,689	2,228	514	27,479
Purchase	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
Decrease						
Written down with government subsidies	-	(518)	(489,739)	(1,008)	-	(491,265)
Reduced 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 adjustment	33,652	64,301	(253,407)	169,643	8,082	22,271
31 December 2018	13,062,161	382,091	47,752,417	1,831,728	112,496	63,140,893
Accumulated depreciation:						
31 December 2017	2,110,019	282,293	18,948,357	957,236	65,313	22,363,218
Increase						
Increased subsidiaries	-	38	10,710	1,745	164	12,657
Provision	424,090	39,251	6,121,674	284,093	15,709	6,884,817
Reclassified from investment property	749	-	-	-	-	749
Decrease						
Written down with government subsidies	(34,215)	(518)	(823,777)	(573)	-	(859,083)
Reduced 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 adjustment	17,305	40,405	(140,150)	97,493	100	15,153
31 December 2018	2,410,859	283,254	23,235,237	1,077,885	67,708	27,074,943
Net value of fixed assets:						
31 December 2018	10,651,302	98,837	24,517,180	753,843	44,788	36,065,950
31 December 2017	10,223,608	89,832	22,253,545	604,517	39,238	33,210,740

V Notes to Items in Consolidated Financial Statements (Continued)

19 Fixed assets (continued)

	Housing and buildings	Fixed assets renovation	Machinery equipment	Office and electronic equipment	Means of transport	Total
Provision for impairment:						
31 December 2017	1,141	994	608,117	2,426	83	612,761
Current accrual	-	-	51,716	9,856	-	61,572
Reduced subsidiaries	-	-	(557,448)	(208)	-	(557,656)
Write-off in current period	-	(4)	(901)	(175)	-	(1,080)
Exchange adjustment	-	-	(32,155)	(623)	-	(32,778)
31 December 2018	1,141	990	69,329	11,276	83	82,819
Net amount of fixed assets:						
31 December 2018	10,650,161	97,847	24,447,851	742,567	44,705	35,983,131
31 December 2017	10,222,467	88,838	21,645,428	602,091	39,155	32,597,979

For the collateralized fixed assets, see Note V, item 42. As at 31 December 2018, the carrying amount of the temporarily idle fixed assets was RMB 8,763,000, and the gross amount of the fixed assets that were sufficiently depreciated and still in use was RMB 74,264,000.

20 Construction in progress

Project name	Budget	31 December 2018	Increase in current period	Reclassified to fixed assets in current period	Reclassified to investment property in current period	Other decreases	31 December 2019	Investment as % of budget	Source of fund
t6 production line of LCD panel	46,500,000	19,030,563	6,381,846	(8,143,075)	-	(1,892)	17,267,442	55%	Self-owned capital and borrowings
t7 production line of LCD panel	42,683,000	346,143	3,003,993	-	-	-	3,350,136	8%	Self-owned capital and borrowings
t4 production line of LCD panel	35,000,000	13,003,038	3,228,943	(6,207,472)	-	-	10,024,509	46%	Self-owned capital and borrowings
Huizhou modular integration project	9,600,000	1,305,373	1,061,628	(914,432)	-	(11,109)	1,441,460	25%	Self-owned capital and borrowings
Huizhou whole-widget integration project	3,099,400	566,876	498,730	-	-	-	1,065,606	34%	Self-owned capital and borrowings
t3 production line of LCD panel	16,000,000	2,339,781	419,827	(2,686,299)	-	-	73,309	17%	Self-owned capital and borrowings
Upgrade of the t2 production line of LCD panel	1,471,000	1,070,206	121,285	(1,159,707)	-	-	31,784	81%	Self-owned capital and borrowings
Yunsheng Technology Park in Guangzhou Science City	1,200,000	611,184	19,805	-	-	(630,989)	-	N/A	Self-owned capital and borrowings
Others	N/A	651,422	829,217	(450,687)	(552)	(705,356)	324,044	N/A	N/A
		38,924,586	15,565,274	(19,561,672)	(552)	(1,349,346)	33,578,290		

V Notes to Items in Consolidated Financial Statements (Continued)

20 Construction in progress (continued)

Project name	Budget	31 December 2017	Increase in current period	Reclassified to fixed assets in current period	Reclassified to investment property in current period	Other decreases	31 December 2018	Investment as % of budget	Source of fund
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 t2 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-widget integration project	2,465,000	-	566,876	-	-	-	566,876	23%	Self-owned capital and borrowings
Others	N/A	1,231,408	1,031,260	(1,050,113)	(480,882)	(80,251)	651,422	N/A	N/A
		14,775,237	34,991,778	(10,027,602)	(577,344)	(237,483)	38,924,586		

V Notes to Items in Consolidated Financial Statements (Continued)

21 Intangible assets

	Land use right	Non-patented technologies /patents	Trademark use rights	Other	Total
Gross amount:					
31 December 2018	4,188,127	2,620,190	346,160	1,042,630	8,197,107
Increase					
Purchase	207,579	224,721	-	103,530	535,830
Reclassified from investment property	118	-	-	-	118
Reclassified from construction in progress	-	219	-	14,921	15,140
Reclassified from R&D expense	-	633,163	-	6,233	639,396
Decrease					
Sale and disposal	(109)	(918)	-	(29,954)	(30,981)
Reclassified to investment property	(595)	-	-	-	(595)
Reduced subsidiaries	(915,883)	(175,012)	(338,777)	(357,972)	(1,787,644)
Exchange adjustment	(1,318)	(902)	(6,822)	(1,153)	(10,195)
31 December 2019	3,477,919	3,301,461	561	778,235	7,558,176
Accumulated amortization:					
31 December 2018	463,334	883,515	159,085	666,305	2,172,239
Increase					
Provision	110,275	309,537	5,179	120,506	545,497
Reclassified from investment property	26	-	-	-	26
Decrease					
Sale and disposal	(109)	(918)	-	(28,374)	(29,401)
Reclassified to investment property	(126)	-	-	-	(126)
Reduced subsidiaries	(231,178)	(110,208)	(160,831)	(357,352)	(859,569)
Written down with government subsidies	(6,835)	-	-	-	(6,835)
Exchange adjustment	(493)	(1,388)	(3,243)	(220)	(5,344)
31 December 2019	334,894	1,080,538	190	400,865	1,816,487
Net value of intangible assets:					
31 December 2019	3,143,025	2,220,923	371	377,370	5,741,689
31 December 2018	3,724,793	1,736,675	187,075	376,325	6,024,868
Provision for impairment:					
31 December 2018	-	34,316	-	35,679	69,995
Provision	-	-	-	11,845	11,845
Write-off in current period	-	-	-	(25,300)	(25,300)
Exchange adjustment	-	565	-	-	565
31 December 2019	-	34,881	-	22,224	57,105
Net amount of intangible assets:					
31 December 2019	3,143,025	2,186,042	371	355,146	5,684,584
31 December 2018	3,724,793	1,702,359	187,075	340,646	5,954,873

V Notes to Items in Consolidated Financial Statements (Continued)

21 Intangible assets (continued)

	Land use right	Non-patented technologies /patents	Trademark use rights	Other	Total
Gross amount:					
31 December 2017	4,705,551	1,982,225	330,599	1,181,100	8,199,475
Increase					
Purchase	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
Decrease					
Sale and disposal	(1,691,437)	(11,282)	-	(114,302)	(1,817,021)
Reclassified to investment property	(24,916)	-	-	(204,033)	(228,949)
Reduced subsidiaries	-	(15,002)	(999)	(17,835)	(33,836)
Exchange adjustment	11,245	24,331	16,268	(57,337)	(5,493)
31 December 2018	4,188,127	2,620,190	346,160	1,042,630	8,197,107
Accumulated amortization:					
31 December 2017	367,288	657,024	131,693	625,295	1,781,300
Increase					
Provision	112,389	229,175	20,536	186,321	548,421
Reclassified from investment property	-	-	-	-	-
Decrease					
Sale and disposal	(16,137)	(9,030)	-	(71,183)	(96,350)
Reclassified to investment property	(2,835)	-	-		(2,835)
Reduced subsidiaries	-	(5,867)	(999)	(5,619)	(12,485)
Written down with government subsidies	(6,835)	-	-	(19,155)	(25,990)
Exchange adjustment	9,464	12,213	7,855	(49,354)	(19,822)
31 December 2018	463,334	883,515	159,085	666,305	2,172,239
Net value of intangible assets:					
31 December 2018	3,724,793	1,736,675	187,075	376,325	6,024,868
31 December 2017	4,338,263	1,325,201	198,906	555,805	6,418,175
Provision for impairment:					
31 December 2017	-	2,288	-	43,376	45,664
Provision	-	33,169	-	10,379	43,548
Write-off in current period	-	(2,288)	-	(8,606)	(10,894)
Exchange adjustment	-	1,147	-	(9,470)	(8,323)
31 December 2018	-	34,316	-	35,679	69,995
Net amount of intangible assets:					
31 December 2018	3,724,793	1,702,359	187,075	340,646	5,954,873
31 December 2017	4,338,263	1,322,913	198,906	512,429	6,372,511

Please refer to Item 42 of Note V for information on collateralized intangible assets.

V Notes to Items in Consolidated Financial Statements (Continued)

22 R&D expense

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

	31 December 2019	31 December 2018	31 December 2017
LCD panels	1,548,471	846,925	526,840
Mobile phones	-	150,186	297,394
Other	-	14,393	48,570
	1,548,471	1,011,504	872,804

23 Goodwill

Name of invested company	Reason	Initial amount	31 December 2019	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	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	2,452

V Notes to Items in Consolidated Financial Statements (Continued)

23 Goodwill (continued)

Name of invested company	Reason	Initial amount	31 December 2019	31 December 2018	31 December 2017
Gross amount			31,419	677,877	677,877
Less: provision for impairment	Note 17		28,967	320,765	257,343
Net carrying amount			2,452	357,112	420,534

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 RMB 1,947,000) was recorded in the Company's goodwill, and was transferred out in 2019 due to disposal of subsidiaries.

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 RMB 11,419,000) was recorded in the Company's goodwill, and was transferred out in 2019 due to disposal of subsidiaries.

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, and was transferred out in 2019 due to disposal of subsidiaries.

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, and was transferred out in 2019 due to disposal of subsidiaries.

V Notes to Items in Consolidated Financial Statements (Continued)

23 Goodwill (continued)

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 RMB 28,017,000) was recorded in the Company's goodwill, and was transferred out in 2019 due to disposal of subsidiaries.

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 RMB 8,952,000) was recorded in the Company's goodwill, and was transferred out in 2019 due to disposal of subsidiaries.

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 RMB 36,259,000) was recorded in the Company's goodwill, and was transferred out in 2019 due to disposal of subsidiaries.

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 RMB 1,510,016,000. 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 RMB 194,551,000 had been established on this goodwill item for 2017. And this item was transferred out in 2019 due to disposal of subsidiaries.

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 RMB 296,584,000). 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 RMB 134,968,000) was recorded in the Company's goodwill. An impairment allowance of RMB 34,453,000 had been established on this goodwill item for 2018. And this item was transferred out in 2019 due to disposal of subsidiaries.

23 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 RMB 52,319,000. 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 RMB 28,967,000) was recorded in the Company's goodwill. An impairment allowance of RMB 28,967,000 had been established on this goodwill item for 2018.

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 RMB 98,024,000. 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 RMB 92,952,000) was recorded in the Company's goodwill. And this item was transferred out in 2019 due to disposal of subsidiaries.

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 RMB 102,690,000). 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 RMB 89,196,000) was recorded in the Company's goodwill, and was transferred out in 2019 due to disposal of subsidiaries.

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 RMB 0. 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 RMB 12,065,000) was recorded in the Company's goodwill. An impairment allowance of RMB 12,065,000 had been established on this goodwill item for 2017. And this item was transferred out in 2019 due to disposal of subsidiaries.

V Notes to Items in Consolidated Financial Statements (Continued)

23 Goodwill (continued)

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 RMB 95,546,000. 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 RMB 3,506,000) was recorded in the Company's goodwill, and was transferred out in 2019 due to disposal of subsidiaries.

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 RMB 9,600,000 and a capital of RMB 4,798,000. 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 RMB 50,729,000) was recorded in the Company's goodwill. An impairment allowance of RMB 50,729,000 had been established on this goodwill item for 2017. And this item was transferred out in 2019 due to disposal of subsidiaries.

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 RMB 10,000,000. 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 RMB 2,452,000) was recorded in the Company's goodwill.

Note 17 On 31 December 2019, the Company tested asset groups inclusive of goodwill for impairment. Upon the test, goodwill is not impaired.

(1) Provision for impairment of goodwill

Name of invested company	31 December 2018	Increase in current period	Decrease in current period	31 December 2019
TCL Communication Technology Holdings Limited	194,551	-	(194,551)	-
Toshiba Visual Products (China) Co., Ltd.	12,065	-	(12,065)	-
JRD Communication Inc.	34,453	-	(34,453)	-
East Fair Investments Limited	50,729	-	(50,729)	-
TCL Medical Radiological Technology (Beijing) Co., Ltd.	28,967	-	-	28,967
Huizhou TCL Environment Technology Co., Ltd.	-	92,952	(92,952)	-
	320,765	92,952	(384,750)	28,967

V Notes to Items in Consolidated Financial Statements (Continued)

23 Goodwill (continued)

Name of invested company	31 December 2017	Increase in current period	Decrease in current period	31 December 2018
TCL Communication Technology Holdings Limited	194,551	-	-	194,551
Toshiba Visual Products (China) Co., Ltd.	12,065	-	-	12,065
JRD Communication Inc.	-	34,453	-	34,453
East Fair Investments Limited	50,727	2	-	50,729
TCL Medical Radiological Technology (Beijing) Co., Ltd.	-	28,967	-	28,967
	257,343	63,422	-	320,765

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

The Company distributes goodwill to the following independent asset groups:

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

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

	31 December 2019	
	Carrying amount of asset group	Allocated goodwill amount
Business asset group of Qingdao Blue	2,780	2,452
	2,780	2,452

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

	Business asset group of Qingdao Blue
Income growth rate in forecast period	8%
Income growth rate in stable period	0%
Net profit rate in forecast period	5%
Net profit rate in stable period	4%
Discount rate	8%

(c) Goodwill impairment test results

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

V Notes to Items in Consolidated Financial Statements (Continued)

24 Long-term prepaid expenses

	1 January 2019	Increase in current period	Increased subsidiaries	Reduced subsidiaries	Amortization in current period	Other	31 December 2019
Improvement expense on leased fixed assets	1,460,293	165,252	-	(2,027)	(95,392)	32	1,528,158
Other	401,040	390,523	1,874	(276,068)	(477,773)	(63)	39,533
	1,861,333	555,775	1,874	(278,095)	(573,165)	(31)	1,567,691

	1 January 2018	Increase in current period	Increased subsidiaries	Reduced subsidiaries	Amortization in current period	Other	31 December 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
	929,124	1,436,104	6,084	(29,430)	(481,053)	504	1,861,333

V Notes to Items in Consolidated Financial Statements (Continued)

25 Deferred income tax assets and deferred income tax liabilities

(1) Deferred income tax assets

	31 December 2019		31 December 2018	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Provisions	177,421	28,473	1,475,703	226,083
Unrealized profit within the Group	-	-	1,590,469	261,126
Provision for impairment of assets	444,625	74,208	629,031	100,264
Changes in fair value	2,862	429	95,609	18,252
Deductible losses	4,202,964	671,868	364,596	89,707
Other	353,392	65,896	525,125	102,450
	5,181,264	840,874	4,680,533	797,882

	31 December 2017	
	Deductible temporary difference	Deferred income tax assets
Provisions	1,567,177	287,495
Unrealized profit within the Group	1,525,048	250,385
Provision for impairment of assets	498,340	79,663
Changes in fair value	357,750	72,038
Deductible losses	270,723	66,610
Other	871,495	115,652
	5,090,533	871,843

V Notes to Items in Consolidated Financial Statements (Continued)

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

(2) Deferred income tax liabilities

	31 December 2019		31 December 2018	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Accelerated depreciation of fixed assets	4,924,463	782,644	2,292,445	347,327
Changes in fair value	242,663	54,491	201,438	37,351
Government subsidies	314,595	52,290	81,854	15,098
Other	307,929	63,253	215,910	40,576
	5,789,650	952,678	2,791,647	440,352

	31 December 2017	
	Taxable temporary differences	Deferred income tax liabilities
Accelerated depreciation of fixed assets	1,416,875	219,145
Changes in fair value	91,872	17,035
Government subsidies	30,500	4,941
Other	153,994	30,036
	1,693,241	271,157

26 Other non-current assets

	31 December 2019	31 December 2018	31 December 2017
Advance payment for equipment and land use rights (Note)	3,336,619	2,649,080	2,493,017
Advance payment for patents	225,576	362,608	327,114
Other	688,464	526,068	568,822
	4,250,659	3,537,756	3,388,953

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

V Notes to Items in Consolidated Financial Statements (Continued)

27 Short-term borrowings

Classification of short-term borrowings

	31 December 2019	31 December 2018	31 December 2017
Unsecured borrowings	11,291,664	13,240,637	14,595,291
Pledge borrowings	754,794	-	1,394,814
Interest payable	23,199	-	-
	12,069,657	13,240,637	15,990,105

As at 31 December 2019, the short-term pledged borrowings of the Company amounted to RMB 754,794,000, which was pledged by trading financial assets of about RMB 1,743,204,000 (the Company had no pledged short-term borrowings balance as at the end of 2018; at the end of 2017: RMB 1,394,814,000).

As at 31 December 2019, the Company does not have any short-term borrowings that have expired and have not been repaid.

28 Borrowings from the Central Bank

As of 31 December 2019, the balance of the borrowings of TCL Finance Co., Ltd., a subsidiary of the Company, from the central bank was RMB 573,222,000 (at the end of 2018: RMB 231,404,000; at the end of 2017: RMB 39,997,000).

29 Deposits and placements from other financial institutions

	31 December 2019	31 December 2018	31 December 2017
Deposits and placements from other financial institutions	1,355,129	545,053	310,875

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

30 Held-for-trading financial liabilities (applicable since 1 January 2019)

	31 December 2019
Financial liabilities at fair value through profit or loss	188,220

31 Financial liabilities at fair value through profit or loss (applicable before 31 December 2018)

	31 December 2018	31 December 2017
Derivative financial liabilities-forward foreign exchange contracts	106,901	349,506
Derivative financial liabilities-interest rate swap contracts	105,196	93,436
	212,097	442,942

The fair value of the Company's held-for-trading financial liabilities is determined based on the real-time quoted price in the foreign exchange and interest rate open market. The fair value change of the held-for-trading financial liabilities is determined based on the difference between the forward exchange rate and interest rate of the contract price and quoted price in the foreign exchange and interest rate open market on the balance sheet date.

32 Derivative financial liabilities (applicable since 1 January 2019)

	31 December 2019
Derivative financial liabilities	84,705

33 Notes payable

	31 December 2019	31 December 2018	31 December 2017
Bank acceptance	1,595,901	2,234,882	1,206,258
Commercial acceptance	124,501	857,692	855,213
	1,720,402	3,092,574	2,061,471

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

V Notes to Items in Consolidated Financial Statements (Continued)

34 Accounts payable

Accounts payable mainly include the Company's accounts payable for raw materials and purchased components. As of 31 December 2019, the balance of accounts payable was RMB 11,549,133,000 (at the end of 2018: RMB 23,922,712,000; at the end of 2017: RMB 19,324,249,000), of which the accounts payable for more than one year was RMB 31,013,000 (at the end of 2018: RMB 262,062,000; at the end of 2017: RMB 154,765,000), accounting for about 0.27% of all accounts payable (at the end of 2018: 1.10%; at the end of 2017: 0.80%).

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

35 Advances from customers

The end-of-term advance payment is mainly the sales of goods received in advance by the Company. As at 31 December 2019, the balance of advance payment was RMB 141,749,000 (at the end of 2018: RMB 1,460,773,000; at the end of 2017: RMB 1,307,900,000), and the Company had no large amount of advance payment older than one year.

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

36 Payroll payable and long-term payroll payable

(1) Payroll payable

	31 December 2019	31 December 2018	31 December 2017
Short-term payroll payable (note)	1,089,163	2,802,947	2,207,545
Defined contribution plans payable	1,371	16,124	15,624
Dismissal benefits payable	3,683	72,322	69,499
	1,094,217	2,891,393	2,292,668

V Notes to Items in Consolidated Financial Statements (Continued)

36 Payroll payable and long-term payroll payable (continued)

Note Short-term payroll payable

	31 December 2018	Increase in current period	Decrease in current period	31 December 2019
Wages, bonuses, allowances and subsidies	2,178,857	5,717,529	(6,976,060)	920,326
Social insurance premium	25,762	224,077	(207,665)	42,174
Housing fund	8,846	177,014	(165,852)	20,008
Trade union funds and staff education funds	90,355	14,977	(103,282)	2,050
Others	499,127	99,615	(494,137)	104,605
	2,802,947	6,233,212	(7,946,996)	1,089,163

	31 December 2017	Increase in current period	Decrease in current period	31 December 2018
Wages, bonuses, allowances and subsidies	2,057,182	9,376,911	(9,255,236)	2,178,857
Social insurance premium	18,465	438,897	(431,600)	25,762
Housing fund	5,615	261,193	(257,962)	8,846
Trade union funds and staff education funds	103,995	84,782	(98,422)	90,355
Others	22,288	592,670	(115,831)	499,127
	2,207,545	10,754,453	(10,159,051)	2,802,947

(2) Long-term payroll payable

	31 December 2019	31 December 2018	31 December 2017
Supplementary old age security pensions (note)	23,018	24,246	25,519

Note This item is the supplementary old age security pensions payable to retired employees.

37 Taxes payable

	31 December 2019	31 December 2018	31 December 2017
VAT	26,997	238,049	119,646
Corporate income tax	154,027	214,140	759,743
Individual income tax	22,666	34,204	117,032
City construction tax	1,965	18,504	46,861
Educational surcharge	1,450	13,328	35,151
Embankment charges	27	51,785	51,139
Waste electric appliance and electronic product treatment fund	-	60,870	58,448
Other	19,674	85,654	85,772
	226,806	716,534	1,273,792

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

38 Other payables

	31 December 2019	31 December 2018	31 December 2017
Interest payable	-	586,819	444,846
Dividends payable	11,058	22,553	47,110
Other payables	12,282,508	22,511,402	16,662,797
	12,293,566	23,120,774	17,154,753

38 Other payables (continued)

(1) Interest payable

	31 December 2019	31 December 2018	31 December 2017
Interest payable on MTN	-	27,922	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	-	177,109	140,038
	-	586,819	444,846

Note: The Company has no balance of interest payable at the end of the period, which is in accordance with the requirements of the Notice on Revising and Issuing the Format of General Enterprise Financial Statements for 2019 (CK [2019] No.6) issued by the Ministry of Finance on April 30, 2019. For an enterprise that has implemented the new financial instrument accounting standard, the interest payable is included in the book balance of the corresponding financial instruments based on the interest accrued by the effective interest rate method.

(2) Dividends payable

	31 December 2019	31 December 2018	31 December 2017
Other minority shareholders	11,058	22,553	47,110

(3) Other payables

	31 December 2019	31 December 2018	31 December 2017
Engineering and equipment expense	8,515,216	10,236,446	5,676,045
Ordinary current payables to external entities	2,711,596	6,705,566	5,195,143
Unpaid expenses	856,377	4,709,423	5,155,195
Deposit and security deposit	199,319	407,967	636,414
Payables for land acquisition	-	452,000	-
Total	12,282,508	22,511,402	16,662,797

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

39 Short-term commercial papers payable

	31 December 2019	31 December 2018	31 December 2017
Short-term commercial papers	-	2,000,000	-

V Notes to Items in Consolidated Financial Statements (Continued)

40 Current portion of non-current liabilities

	Note V	31 December 2019	31 December 2018	31 December 2017
Long-term borrowings (note 1)	42	800,000	3,509,915	4,930,778
MTN (note 2)		499,748	-	996,750
Corporate bonds		-	2,500,000	-
Current portion of interest payable		392,215	-	-
		1,691,963	6,009,915	5,927,528

Note 1 The current portion of long-term borrowings was RMB 800,000,000 of unsecured borrowings (2018: RMB 3,509,915,000; 2017: RMB 4,930,778,000).

The interest rate of the Company's current portion of long-term borrowing in the current period ranges from 2.33% to 6.00% (in 2018: 2.33% to 5.57%).

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

41 Other current liabilities

	31 December 2019	31 December 2018	31 December 2017
After-sales service expense (note)	35,435	1,108,360	1,109,100
Financial assets sold under repurchase agreements	-	185,364	3,206,902
Currency swaps	-	-	1,697,240
Other	33,587	50,727	61,831
	69,022	1,344,451	6,075,073

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

V Notes to Items in Consolidated Financial Statements (Continued)

42 Long-term borrowings

	31 December 2019	31 December 2018	31 December 2017
Mortgage borrowings	33,589,761	29,516,297	18,420,345
Pledge borrowings	-	-	1,026,190
Unsecured borrowings	5,722,298	10,858,541	5,767,624
	39,312,059	40,374,838	25,214,159
Of which: Current portion of long-term borrowings	(800,000)	(3,509,915)	(4,930,778)
	38,512,059	36,864,923	20,283,381

The maturities of the Company’s long-term borrowings vary from 2020 to 2029.

As at 31 December 2019, the carrying amount of long-term mortgage borrowings was RMB 33,589,761,000, with land use rights, buildings, machinery and equipment and construction in progress equivalent to RMB 39,055,477,000 as the collateral.

As at 31 December 2018, the carrying amount of long-term mortgage borrowings was RMB 29,516,297,000, with land use rights, buildings, machinery and equipment and construction in progress equivalent to RMB 47,451,204,000 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).

As at 31 December 2017, the carrying amount of long-term mortgage borrowings was RMB 18,420,345,000, of which RMB 18,320,345,000 was secured with buildings, machinery and equipment equivalent to RMB 35,827,951,000 as the collateral; and RMB 100,000,000 was secured with housing and land use rights equivalent to RMB 195,163,000 as the collateral.

The interest rate of the Company's current portion of long-term borrowing ranges from 2.33% to 6.00% (in 2018: 2.33% to 5.57%).

43 Bonds payable

	31 December 2019	31 December 2018	31 December 2017
Corporate bonds (note 1)	14,483,130	10,492,914	9,999,998
MTN (note 2)	1,995,955	2,492,714	497,250
	16,479,085	12,985,628	10,497,248

V Notes to Items in Consolidated Financial Statements (Continued)

43 Bonds payable (continued)

Note 1 On 16 March 2016, the Company issued RMB 1.5 billion of five-year corporate bonds. On 7 July 2016, the Company issued RMB 2 billion of 2016 (Phase II) five-year corporate bonds.

On 19 April 2017, the Company issued RMB 1 billion of 2017 (Phase I) five-year corporate bonds. On 7 July 2017, the Company issued RMB 3 billion of 2017 (Phase II) five-year corporate bonds.

On 6 June 2018, the Company issued RMB 1 billion of 2018 (Phase I) five-year corporate bonds. On 20 August 2018, the Company issued RMB 2 billion of 2018 (Phase II) five-year corporate bonds.

On 20 May 2019, the Company issued RMB 1 billion of 2019 (Phase I) five-year corporate bonds. On 23 July 2019, the Company issued RMB 1 billion of 2019 (Phase II) five-year corporate bonds. On 21 October 2019, the Company issued RMB 2 billion of 2019 (Phase III) five-year corporate bonds.

Note 2 On 2 April 2015, the Company issued RMB 500 million of 5-year medium-term notes.

On 3 December 2018, the Company issued RMB 2 billion of 3-year medium-term notes.

The current portion of medium-term notes payable of RMB 499,748,000 at the end of this period was reclassified to the item of “current portion of non-current liabilities”.

44 Long-term payables

	31 December 2019	31 December 2018	31 December 2017
Technological development fund	24,000	73,000	73,000
Other	206	902	3,309
	24,206	73,902	76,309

45 Deferred income

	31 December 2019	31 December 2018	31 December 2017
Government subsidies (note)	1,912,421	2,637,229	2,664,877

Note: Mainly income-related

V Notes to Items in Consolidated Financial Statements (Continued)

46 Share Capital

	31 December 2018		Increase or decrease in current period			31 December 2019	
(Unit: RMB'000)	Amount	Proportion	New issues	Other	Subtotal	Amount	Proportion
I. Restricted shares	1,825,654	13.47%	-	(957,888)	(957,888)	867,766	6.41%
II. Unrestricted shares	11,723,995	86.53%	-	936,678	936,678	12,660,673	93.59%
III. Total shares	13,549,649	100.00%	-	(21,210)	(21,210)	13,528,439	100.00%

	31 December 2017		Increase or decrease in current period			31 December 2018	
(Unit: RMB'000)	Amount	Proportion	New issues	Other	Subtotal	Amount	Proportion
I. Restricted shares	4,513,615	33.40%	34,677	(2,722,639)	(2,687,962)	1,825,653	13.47%
II. Unrestricted shares	9,001,357	66.60%	-	2,722,639	2,722,639	11,723,996	86.53%
III. Total shares	13,514,972	100.00%	34,677	-	34,677	13,549,649	100.00%

V Notes to Items in Consolidated Financial Statements (Continued)

46 Share capital (continued)

Note As at 31 December 2019, the Company's total share capital was 13,528,439,000 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.

47 Capital reserves

	31 December 2018	Increase in current period	Decrease in current period	31 December 2019
Share premium	4,930,142	-	(5,930)	4,924,212
Other capital reserves	1,066,599	-	(274,144)	792,455
	5,996,741	-	(280,074)	5,716,667

	31 December 2017	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
	5,940,471	56,270	-	5,996,741

48 Treasury stock

	31 December 2018	Increase in current period	Decrease in current period	31 December 2019
Incentive shares	63,458	126,726	(44,764)	145,420
Repurchased shares	-	1,934,263	(126,726)	1,807,537
	63,458	2,060,989	(171,490)	1,952,957

The increase in incentive shares in the current period was RMB126,726,000 transferred through a non-deal manner from repurchased treasury stock to incentive shares, while the decrease in the current period was primarily driven by the grant, unlocking and retirement of shares.
The increase in repurchased shares in the current period was repurchases in the current period, while the decrease in the current period was primarily driven by the non-deal transfer from repurchased treasury stock to incentive shares.

V Notes to Items in Consolidated Financial Statements (Continued)

49 Surplus reserves

	31 December 2018	Increase in current period	Decrease in current period	31 December 2019
Statutory surplus reserves	2,001,391	54,107	-	2,055,498
Discretionary surplus reserves	182,870	-	-	182,870
	2,184,261	54,107	-	2,238,368

	31 December 2017	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	182,870	-	-	182,870
	1,494,300	689,961	-	2,184,261

As per China’s Company Law, Articles of Association for Companies, accounting standards, the Company and several of its subsidiaries shall appropriate 10% of net profits as statutory surplus reserves until the reserve amount reaches 50% of the registered capital. According to the aforesaid laws and regulations, part of the statutory surplus reserves can be converted into share capital of the Company, and the remaining amount shall not be lower than 25% of the registered capital.

After the appropriation to the statutory surplus reserves, the Company may appropriate the discretionary surplus reserves. Upon approval, the discretionary surplus reserves can be used to make up the previous loss or increase the share capital.

50 General reserve

	31 December 2018	Increase in current period	Decrease in current period	31 December 2019
General reserve	361	-	-	361

	31 December 2017	Increase in current period	Decrease in current period	31 December 2018
General reserve	361	-	-	361

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

V Notes to Items in Consolidated Financial Statements (Continued)

51 Retained earnings

	2019	2018	2017
Beginning retained earnings	10,000,973	8,577,688	7,305,927
Changes in accounting policies	(106,833)	-	
Net profit for current period	2,617,765	3,468,211	2,664,395
Decrease in current period	(1,396,755)	(2,044,926)	(1,392,634)
Including: Appropriated as surplus reserves	(52,832)	(689,961)	(415,539)
Distributed to ordinary shareholders as dividends	(1,337,079)	(1,354,965)	(977,095)
Others	(6,844)	-	-
Ending retained earnings	11,115,150	10,000,973	8,577,688

52 Operating revenue and cost of sales

	2019		2018		2017	
	Operating revenue	Cost of sales	Operating revenue	Cost of sales	Operating revenue	Cost of sales
Core business	74,056,389	66,003,229	112,282,593	91,888,990	110,510,897	87,998,223
Non-core business	876,697	333,888	1,077,483	716,599	1,066,465	665,620
	74,933,086	66,337,117	113,360,076	92,605,589	111,577,362	88,663,843

(1) Core business by operating area

	Revenue		Cost of sales		Gross profit	
	2019	2018	2019	2018	2019	2018
Domestic sales	47,799,405	56,473,133	42,114,424	46,197,816	5,684,981	10,275,317
Export sales	26,256,984	55,809,460	23,888,805	45,691,174	2,368,179	10,118,286
	74,056,389	112,282,593	66,003,229	91,888,990	8,053,160	20,393,603

	Revenue	Cost of sales	Gross profit
	2017	2017	2017
Domestic sales	56,321,586	45,045,439	11,276,147
Export sales	54,189,311	42,952,784	11,236,527
	110,510,897	87,998,223	22,512,674

(2) The sales revenue from the top five customers combined was RMB 21,701,693,000, RMB 17,833,273,000 and RMB 19,789,691,000 respectively for 2019, 2018 and 2017, accounting for 29.3%, 15.88% and 17.91% of the core business revenue.

V Notes to Items in Consolidated Financial Statements (Continued)

53 Interest income/expense and exchange gain

	2019	2018	2017
Interest income	144,720	87,362	150,080
Interest expense	17,230	72,248	79,421
Exchange gain/(loss)	(12,499)	(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.

54 Taxes and surcharges

	2019	2018	2017
City maintenance and construction tax	64,586	132,326	123,926
Property tax	93,039	109,329	71,783
Stamp tax	67,689	103,995	82,024
Educational surcharge	47,761	96,329	91,841
Land use tax	12,370	15,064	19,062
Others	45,143	204,219	276,706
	330,588	661,262	665,342

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

55 Sales Expenses

	2019	2018	2017
Employee salaries and benefits	647,645	1,890,522	2,197,047
Traffic expense	481,379	1,707,790	1,696,516
Advertising and sales promotional expense	434,422	1,520,470	2,118,956
After-sales service expense	424,439	1,448,773	1,232,668
Brand promotion expense	225,349	808,948	457,743
Others	644,255	1,510,518	1,808,134
	2,857,489	8,887,021	9,511,064

V Notes to Items in Consolidated Financial Statements (Continued)

56 Administrative expenses

	2019	2018	2017
Employee salaries and benefits	855,810	2,142,861	2,110,891
Depreciation and amortization expense	378,404	568,048	559,250
Expense for hiring intermediary organizations	333,300	422,194	589,087
Insurance expense	101,074	192,146	178,424
Others	226,500	974,358	1,259,064
	1,895,088	4,299,607	4,696,716

57 Research and development expenses

	2019	2018	2017
Depreciation and amortization expense	1,185,695	798,740	585,472
Employee salaries and benefits	905,908	1,678,164	1,719,776
Material expense	872,466	1,252,141	686,905
Outsourcing development expense	124,889	101,496	370,355
Insurance expense	68,894	135,169	149,702
Others	238,953	711,869	1,247,114
	3,396,805	4,677,579	4,759,324

58 Finance costs

	2019	2018	2017
Interest expense	1,958,251	1,782,408	1,800,106
Interest income	(401,645)	(621,949)	(485,953)
Exchange loss/(income)	(355,134)	(321,412)	175,896
Others	47,329	134,214	175,226
	1,248,801	973,261	1,665,275

V Notes to Items in Consolidated Financial Statements (Continued)

59 Other incomes

	2019	2018	2017
R&D subsidies	1,811,757	1,851,643	941,734
VAT rebates on software	62,208	367,075	438,207
VAT accrual and deduction	7,323	-	-
Others	19,348	-	-
	1,900,636	2,218,718	1,379,941

60 Return on investment

	2019	2018	2017
Proceeds from disposal of credit instruments at fair value through profit or loss	346,391	-	-
Proceeds from disposal of equity instruments at fair value through profit or loss	(113,316)	-	-
Proceeds from holding of equity instruments at fair value through profit or loss	28,747	-	-
Proceeds from holding of credit instruments at fair value through profit or loss	99,859	-	-
Credit instruments measured at amortized cost through profit or loss	7,217	-	-
Income from disposal of wealth management instruments	-	691,917	627,338
Income from disposal of derivative financial assets/liabilities	-	(64,779)	(17,067)
Income from investments in monetary funds	-	-	18,835
Share of net income of associates	1,620,874	1,334,263	1,089,216
Share of net income of joint ventures	36,597	26,005	9,002
Net income from disposal of long-term equity investments	1,416,185	(48,708)	456,012
Income from disposal of available-for-sale financial assets	-	109,175	212,250
Income during period of holding available-for-sale financial assets	-	119,381	43,106
	3,442,554	2,167,254	2,438,692

V Notes to Items in Consolidated Financial Statements (Continued)

61 Gains on changes in fair value

	2019	2018	2017
Held-for-trading financial asset	555,470	-	-
Derivative financial assets	138,119	-	-
Held-for-trading financial liabilities	(4,771)	-	-
Derivative financial liabilities	(215,145)	-	-
Financial assets/liabilities at fair value through profit or loss – forward forex contracts	-	5,834	318,009
Financial liabilities at fair value through profit or loss - wealth management instruments	-	(9,380)	(8,168)
Financial assets at fair value through profit or loss - interest rate swap contracts	-	(333)	(412)
	473,673	(3,879)	309,429

62 Credit impairment loss (applicable since 1 January 2019)

	2019
Loss on uncollectible accounts of accounts receivable	34,693
Loss on uncollectible accounts of other receivables	(2,435)
	32,258

63 Asset impairment loss

	2019	2018	2017
Loss on uncollectible accounts	-	217,800	183,921
Inventory valuation loss	568,443	999,690	646,133
Loss on impairments of available-for-sale financial assets (applicable before 31 December 2018)	-	22,548	42,189
Loss on impairment of long-term equity investments	-	31,277	17,963
Loan impairment loss	123,761	7,522	9,591
Loss on impairments of fixed assets	3,000	61,572	557,087
Loss on impairment of intangible assets	11,845	43,548	
Loss on impairment of goodwill	92,952	62,823	206,615
Loss on impairment of other assets	(8,889)	76,339	
	791,112	1,523,119	1,663,499

V Notes to Items in Consolidated Financial Statements (Continued)

64 Asset disposal income

	2019	2018	2017
Income/(loss) from disposal of fixed assets	1,042	129,282	(19,849)
Income/(loss) from disposal of intangible assets	26	(116,206)	3,895
Income from disposal of other non-current assets	89	(3,005)	161
	1,157	10,071	(15,793)

65 Non-operating income

	2019	2018	2017
Gains on retired or damaged non-current assets	84	742	5,052
Including: Gains on retired or damaged fixed assets	84	714	4,036
Gains on retired or damaged intangible assets	-	-	490
Negative goodwill			191,917
Other	128,525	956,067	643,282
	128,609	956,809	840,251

66 Non-operating expense

	2019	2018	2017
Losses on retired or damaged non-current assets	1,763	8,398	24,728
Including: Losses on retired or damaged fixed assets	946	7,926	23,994
Losses on retired or damaged intangible assets	-	232	535
Others	47,882	96,233	138,707
	49,645	104,631	163,435

V Notes to Items in Consolidated Financial Statements (Continued)

67 Income tax expense

(1) Income tax expense statement

	2019	2018	2017
Current income tax expense	198,993	641,006	1,304,418
Deferred income tax expense	199,076	238,176	(59,380)
	398,069	879,182	1,245,038

(2) Accounting profits and income tax adjustment process

	2019	2018	2017
Total profit	4,055,803	4,944,380	4,789,740
Income tax expense calculated at statutory/applicable tax rate	1,013,951	1,236,095	1,197,435
Impact of different tax rates applied to subsidiaries	(699,553)	(300,160)	(347,777)
Impact of adjusting income tax in previous periods	12,009	21,235	47,986
Impact of non-taxable income	(113,147)	(535,444)	(259,508)
Impact of non-deductible costs, expenses and losses	13,977	287,277	309,993
Impact of deductible losses on the use of previously unrecognized deferred income tax assets	(19,689)	(119,824)	(57,364)
Impact of deductible temporary differences or deductible losses of unrecognized deferred income tax assets in the current period	45,798	-	-
Others	144,723	290,003	354,273
Income tax expense	398,069	879,182	1,245,038

V Notes to Items in Consolidated Financial Statements (Continued)

68 Other comprehensive income

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

	2019	2018	2017
I. Items that cannot be reclassified to profit or loss subsequently	27,642	-	-
1. Share of other comprehensive income of investees that will be reclassified to profit or loss under equity method	8,980	-	-
Amount attributable to the Company in the current period	15,065	-	-
Previous other comprehensive income reclassified to retained earnings for current period	(6,085)	-	-
2. Changes in fair value of other equity instruments	18,662	-	-
Current gain/(loss)	9,798	-	-
Previous other comprehensive income reclassified to retained earnings for current period	13,251	-	-
Income tax effects recorded in other comprehensive income	(4,387)	-	-
II. Items that will be reclassified to profit or loss subsequently	461,163	(1,663,194)	1,722,346
1. Share of other comprehensive income of investees that will be reclassified to profit or loss under equity method	32,200	132,924	12,915
Amount attributable to the Company in the current period	59,512	132,924	12,915
Income tax effects recorded in other comprehensive income	(27,312)	-	-
2. Available-for-sale financial assets	-	(803,456)	90,865
Current gain/(loss)	-	(576,616)	200,164
Previous other comprehensive income reclassified to profit for current period	-	(226,840)	(109,299)
Income tax effects recorded in other comprehensive income	-	-	-
3. Cash flow hedges	(86,576)	(96,064)	456,515
Current gain/(loss)	(118,895)	(45,368)	416,052
Previous other comprehensive income reclassified to profit for current period	31,056	(40,471)	42,409
Income tax effects recorded in other comprehensive income	1,263	(10,225)	(1,946)
4. Differences arising from translation of foreign currency financial statements of overseas operations	250,005	(896,598)	1,162,051
5. Net amount transferred to profit or loss in the current period for disposal of overseas operations	265,534	-	-
Total	488,805	(1,663,194)	1,722,346

V Notes to Items in Consolidated Financial Statements (Continued)

68 Other comprehensive income (continued)

(2) Changes in other comprehensive income items

	Equity attributable to shareholders of the Company as the parent								
	Accounting policy Change	Share of other comprehensive income of investees that will be reclassified to profit or loss under equity method	Gain/Loss on changes in fair value of available-for-sale financial assets	Gain/(Loss) on changes in cash flow hedges	Differences arising from translation of foreign currency-denominated financial statements	Fair value changes of other equity instruments	Subtotal	Non-controlling interests	Total other comprehensive income
1 January 2017	-	44,356	303,079	(220,378)	(1,492,220)	-	(1,365,163)	(89,842)	(1,455,005)
Change in 2017	-	11,718	97,301	341,707	1,133,709	-	1,584,435	137,911	1,722,346
31 December 2017	-	56,074	400,380	121,329	(358,511)	-	219,272	48,069	267,341
Change in 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)
Change in 2019	334,950	41,181	-	(66,723)	311,357	19,315	640,080	183,675	823,755
31 December 2019	334,950	230,179	(350,407)	(34,472)	(733,647)	19,315	(534,082)	(38,016)	(572,098)

V Notes to Items in Consolidated Financial Statements (Continued)

69 Earnings per share (EPS)

(1) Basic EPS

	2019	2018	2017
Net profit attributable to owners of the Company as the parent	2,617,765	3,468,211	2,664,395
Weighted average outstanding ordinary shares (in thousand shares)	13,178,283	13,514,972	13,514,972
Basic EPS (RMB yuan/share)	0.1986	0.2566	0.2178

(2) Diluted EPS

	2019	2018	2017
Net profit attributable to owners of the Company as the parent	2,617,765	3,468,211	2,664,395
Diluted weighted average outstanding ordinary shares (in thousand shares)	13,528,439	13,538,282	13,514,972
Diluted EPS (RMB yuan/share)	0.1935	0.2562	0.2178

70 Cash generated from other operating activities

Cash generated from other operating activities in the consolidated cash flow statement was RMB2,329,643,000 (2018: RMB 2,141,672,000; 2017: RMB 3,354,627,000), which primarily consisted of other current payments received and government subsidies.

71 Cash used in other operating activities

Cash used in other operating activities in the consolidated cash flow statement was RMB 3,780,067,000 (2018: RMB 15,938,820,000; 2017: RMB 18,614,114,000), which primarily consisted of various expenses.

72 Cash used in other financing activities

Cash used in other operating activities in the consolidated cash flow statement was RMB 2,350,627,000 in 2019, which was mainly cash paid to repurchase treasury stock. The amount was RMB 584,974,000 and RMB 132,900,000 in 2018 and 2017 respectively, which were mainly payments for acquisition of minority interests in subsidiaries.

V Notes to Items in Consolidated Financial Statements (Continued)

73 Net cash generated from/used in operating activities

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

	2019	2018	2017
Net profit	3,657,734	4,065,198	3,544,702
Add：Asset impairment allowance	823,370	1,523,119	1,663,499
Depreciation of fixed assets	7,153,320	6,941,175	6,474,815
Amortization of intangible assets	545,523	548,421	453,086
Amortization of long-term prepaid expense	573,165	481,053	274,967
Loss/(Income) from disposal of fixed assets, intangible assets and other long-lived assets	(1,157)	(10,071)	15,793
Loss on retired or damaged fixed assets	1,679	7,656	19,676
Loss/(Gain) on changes in fair value	(473,673)	3,879	(309,429)
Financial Expenses	1,632,846	1,580,958	2,077,726
Return on Investment	(3,442,554)	(2,167,254)	(2,438,692)
Decrease/(Increase) in deferred income tax assets	(42,992)	73,961	(138,459)
Increase/(Decrease) in deferred income tax liabilities	512,326	169,195	41,376
Decrease/(Increase) in inventory	13,641,565	(7,941,359)	(767,401)
Decrease/(Increase) in operating receivables	10,891,929	1,228,167	(1,763,676)
Increase/(Decrease) in operating receivables	(24,131,345)	898,032	2,696,447
Other	148,360	3,084,449	(2,634,815)
Net cash generated from/used in operating activities	11,490,096	10,486,579	9,209,615

74 Changes in cash and cash equivalents, net

	2019	2018	2017
Ending cash and cash equivalents	17,637,743	25,702,384	23,281,169
Less: Beginning cash	25,702,384	23,281,169	23,815,656
Net increase in cash and cash equivalents	(8,064,641)	2,421,215	(534,487)

Analysis of ending cash and cash equivalents：

	2019	2018	2017
Ending monetary assets	18,648,185	26,801,343	27,459,453
Less: Ending non-cash equivalents (note)	1,010,442	1,098,959	4,178,284
Ending cash and cash equivalents	17,637,743	25,702,384	23,281,169

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 assets. For further information, see Note V, item 1.

V Notes to Items in Consolidated Financial Statements (Continued)

75 Foreign currency monetary items

	31 December 2019		
	Foreign currency balance	Conversion rate	RMB balance
Monetary assets			
Including: USD	377,494	6.9762	2,633,477
HKD	306,665	0.8959	274,741
Accounts receivable			
Including: USD	295,367	6.9762	2,060,539
HKD	5,403	0.8959	4,841
Accounts payable			
Including: USD	150,246	6.9762	1,048,146
HKD	1,105,500	0.8959	990,417
JPY	1,682,029	0.0642	107,986
Other receivables			
Including: USD	11,875	6.9762	82,842
HKD	271,690	0.8959	243,407
JPY	11,970	0.0642	768
PLN	118	1.8387	217
INR	624,138	0.0978	61,041
Other payables			
Including: USD	21,373	6.9762	149,102
HKD	65,523	0.8959	58,702
JPY	13,306	0.0642	854
INR	45,356	0.0978	4,436
Short-term borrowings			
Including: USD	199,198	6.9762	1,389,645
Long-term borrowings			
Including: USD	2,626,000	6.9762	18,319,501

VI Changes in Consolidation Scope

1 Newly consolidated entities for 2019

Investee	Consolidated period	Reason for change	Registered capital	The Company's interest
Huizhou Hongsheng Technology Development Co., Ltd.	Jan.-Dec. 2019	Newly incorporated	RMB 1,000,000	100%
Kunshan Ruiying Medical Imaging Diagnosis Center Co., Ltd.	Feb.-June 2019	Newly incorporated	RMB 50,000,000	100%
Zhongshan Hongyuan Technology Development Co., Ltd.	Feb.-March 2019	Newly incorporated	RMB 100,000	100%
Wuxi TCL Medical Imaging Technology Co., Ltd.	Feb.-June 2019	Newly incorporated	RMB 43,900,000	70%
Tongxinggongxue Education Technology (Huizhou) Co., Ltd.	Feb.-Dec. 2019	Newly incorporated	RMB 5,000,000	100%
AHFG ESOP Limited	Feb.-Dec. 2019	Newly incorporated	HKD 50,000	100%
TCL Entertainment Solutions Limited	March-March 2019	Newly incorporated	RMB 20,000,000	100%
Guangzhou Tianshi Cloud Intelligence Technology Co., Ltd.	March-March 2019	Newly incorporated	RMB 50,000,000	80%
Zhihui Xinyuan Commercial (Huizhou) Co., Ltd.	March-March 2019	Newly incorporated	RMB 30,000,000	100%
Jiaozuo Kangying Clinic Co., Ltd.	March-June 2019	Newly incorporated	RMB 10,000,000	99%
Shenzhen Huaying Clinic	April-June 2019	Newly incorporated	RMB 12,000,000	70%
Shenzhen Huaying Medical Imaging Diagnosis Center	April-June 2019	Newly incorporated	RMB 20,000,000	100%
TCL Industrial Technology Research Institute (Europe) Co., Ltd.	May - Dec. 2019	Newly incorporated	PLN 10,000,000	100%
TCL Technology Investments Limited	July - Dec. 2019	Newly incorporated	HKD 214,115,600	100%
Admiralty Harbour Global Credit Opportunities Fund	Aug. - Dec. 2019	Newly incorporated	USD 0.01	100%
GARFORD LIMITED	Sept. - Dec. 2019	Newly incorporated	USD1	100%
Chongqing Blue Business Consulting Co., Ltd.	Oct.- Dec. 2019	Newly incorporated	RMB 10,000,000	100%

VI Changes in Consolidation Scope (Continued)

1 Newly consolidated entities for 2018

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%

VI Changes in Consolidation Scope (Continued)

1 Newly consolidated entities for 2018 (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%
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%

VI Changes in Consolidation Scope (Continued)

2 Deconsolidated entities for the Reporting Period

Investee	Time of deconsolidation	Reason for change
TCL Technology Park (Wuhan) Co., Ltd.	Jan. 2019	Transfer
Shanghai Xinying Medical Technology Co., ltd.	Jan. 2019	Cancellation
Taiwan Dabis Mobile Communication Co., ltd.	March 2019	Cancellation
Xingyun Enterprise Co., Ltd.	March 2019	Cancellation
Beijing Xunying Renren Medical Technologies Co., Ltd.	March 2019	Cancellation
Shaanxi Shangxinfeng Environmental Technology Co., Ltd.	April 2019	Transfer
Shanghai Huiying Medical Technology Co., Ltd.	April 2019	Capital increase by minority shareholders
TCL Industries Holdings (HK) Limited and its subsidiaries	April 2019	Transfer
Huizhou TCL Household Electric Appliance Group Co., Ltd. and its subsidiaries	April 2019	Transfer
TCL Home Appliances (Hefei) Co., Ltd. and its subsidiaries	April 2019	Transfer
Huizhou Cool Friends Network Technology Co., Ltd. and its subsidiaries	April 2019	Transfer
Koyoo Online Service Co., Ltd.	April 2019	Transfer
TCL Technology Park Co., Ltd. and its subsidiaries	April 2019	Transfer
Getech Ltd. and its subsidiaries	April 2019	Transfer
JDH Information Tech (Zhuhai) Co., Ltd.	April 2019	Transfer
Shenzhen HYT E-Commerce Limited	June 2019	Cancellation
Techne Corporation	June 2019	Cancellation
Wuxi TCL Medical Imaging Technology Co., Ltd.	June 2019	Capital increase by minority shareholders
Kunshan Ruiying Medical Imaging Diagnosis Center Co., Ltd.	June 2019	Capital increase by minority shareholders
Jiaozuo Kangying Clinic Co., Ltd.	June 2019	Capital increase by minority shareholders

VI Changes in Consolidation Scope (Continued)

2 Deconsolidated entities for the Reporting Period (continued)

Investee	Time of deconsolidation	Reason for change
Shenzhen Huaying Clinic	June 2019	Capital increase by minority shareholders
Shenzhen Huaying Medical Imaging Diagnosis Center	June 2019	Capital increase by minority shareholders
Shenzhen Haixing Education Technology Co., Ltd.	July 2019	Cancellation
Caixingqiu (Shenzhen) Technology Co., Ltd.	July 2019	Cancellation
HAWK Digital Entertainment Technology (Shenzhen) Co., Ltd.	Aug. 2019	Transfer
Shenzhen HAWK Internet Co., Ltd. and its subsidiaries	Nov. 2019	Transfer
Huizhou TCL Environmental Resource Co., Ltd. and its subsidiaries	Nov. 2019	Transfer
Guangzhou Zhilang Credit Investigation Co., Ltd.	Nov. 2019	Transfer
Xi' an Huaxian Software Development Service Co., Ltd.	Dec. 2019	Cancellation
Huizhou TCL Light Electrical Appliances Co., Ltd.	Dec. 2019	Transfer
TCL Network Equipment (Shenzhen) Co., Ltd.	Jan. 2018	Cancellation
Foshan TCL Household Appliances (Nanhai) Co., Ltd.	Jan. 2018	Cancellation
Huizhou TCL Hyperpower Batteries Inc.	Feb. 2018	Transfer
Qujing Sunpiestore Technology Co., Ltd.	Mar. 2018	Cancellation
Cheers Overseas Limited	May 2018	Cancellation
JRD (Beijing) Technology Co., Ltd.	May 2018	Cancellation
Beijing Luote Pacific Communication Technology Co., Ltd.	Jan. 2018	Cancellation
Shanke Technology Holdings Limited	Feb. 2018	Transfer
TCT Mobile (Singapore) Pte.Ltd	Jun. 2018	Cancellation
Huizhou Taichuang Investment Development Co., Ltd.	Jan. 2018	Transfer

VI Changes in Consolidation Scope (Continued)

2 Deconsolidated entities for the Reporting Period (continued)

Investee	Time of deconsolidation	Reason for change
Xi'an TCL Industrial Technology Research Institute, Ltd.	Jun. 2018	Cancellation
Canyon Circuit Technology (Huizhou) Co., Ltd.	Mar. 2018	Transfer
Tairui (Hong Kong) Limited	Mar. 2018	Transfer
TCT Mobile - Telefones LTDA	Mar. 2018	Transfer
Petro AP (Hong Kong) Company Limited	Mar. 2018	Transfer
PETRO AP S.A.	Mar. 2018	Transfer
Shenzhen Asic Micro-Electronics Ltd.	Jul. 2018	Cancellation
Shenzhen Hongye Construction & Decoration Co., Ltd.	Aug. 2018	Cancellation
Meili Wireless Technology (Shenzhen) Co.,Ltd.	Aug. 2018	Cancellation
TTE (HK) Limited	Sept. 2018	Cancellation
Tonly Technology Pte. Ltd.	Sept. 2018	Cancellation
TOPAID INVESTMENTS LIMITED	Oct. 2018	Cancellation
Dongming Industrial (Huizhou) Co., Ltd.	Oct. 2018	Cancellation
Huizhou TCL Hongchuang Technology Co., Ltd.	Oct. 2018	Cancellation
TCL Healthcare International (Singapore)Co., Ltd.	Oct. 2018	Cancellation
TCL Zhixian Holding Co., Ltd.	Nov. 2018	Cancellation
Prosper Wide Limited	Dec. 2018	Cancellation
TCL King Electrical Appliances (Wuxi) Co., Ltd.	Dec. 2018	Cancellation
PT EKSINDO TELAGA SAID DARAT	Dec. 2018	Transfer
TCL Very Lighting Technology (Huizhou) Co., Ltd.	Sept. 2018	Transfer
Huarui (Huizhou) Co., Ltd.	Sept. 2018	Transfer

VI Changes in Consolidation Scope (Continued)

3 Subsidiaries disposed in Reporting Period

Name of subsidiaries	TCL Technology Park (Wuhan) Co., Ltd.	TCL Industries Holdings (HK) Limited and its subsidiaries Huizhou TCL Household Electric Appliance Group Co., Ltd. and its subsidiaries TCL Home Appliances (Hefei) Co., Ltd. and its subsidiaries Huizhou Cool Friends Network Technology Co., Ltd. and its subsidiaries Koyoo Online Service Co., Ltd. TCL Technology Park Co., Ltd. and its subsidiaries Getech Ltd. and its subsidiaries JDH Information Tech (Zhuhai) Co., Ltd.	Shaanxi Shangxinfeng Environmental Technology Co., Ltd.	Shanghai Huiying Medical Technology Co., Ltd.	Wuxi TCL Medical Imaging Technology Co., Ltd. and its subsidiaries
Price for equity interest disposal	255,000	4,760,000	435	-	-
% equity interest disposed	51%	N/A	51%	90%	35%
Way of disposal	Transfer	Transfer	Transfer	Capital Increase by Minority Shareholders	Capital Increase by Minority Shareholders
Time of loss of control	Jan. 2019	April 2019	April 2019	April 2019	June 2019
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
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	1,265	1,238,377	(43)	1,494	28,728

VI Changes in Consolidation Scope (Continued)

3 Subsidiaries disposed in Reporting Period (continued)

Name of subsidiaries	Shenzhen Thunderbird Digital Entertainment Technology Co., Ltd.	Shenzhen HAWK Internet Co., Ltd. and its subsidiaries	Guangzhou Zhilang Credit Investigation Co., Ltd.	Huizhou TCL Environmental Resource Co., Ltd. and its subsidiaries	Huizhou TCL Light Electrical Appliances Co., Ltd.
Price for equity interest disposal	0.002	200,110	-	274,891	31,240
% equity interest disposed	100%	100%	100%	71%	100%
Way of disposal	Transfer	Transfer	Transfer	Transfer	Transfer
Time of loss of control	Aug. 2019	Nov. 2019	Nov. 2019	Nov. 2019	Dec. 2019
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
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	200	20,552	-	37,287	22,305

VI Changes in Consolidation Scope (Continued)

3 Subsidiaries disposed in Reporting Period (continued)

Subsidiary	Huizhou Taichuang Investment Development Co., Ltd.	Huizhou TCL Hyperpower Batteries Inc.	Canyon Circuit Technology (Huizhou) Co., Ltd.	Tairui (Hong Kong) Limited	TCT Mobile - Telefones 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)

VII Interests in Other Entities

1 Interests in subsidiaries

(1) Major subsidiaries

Investee	Place of registration	Nature of business	The Company's interest		How subsidiary was obtained
			Direct	Indirect	
TCL China Star Optoelectronics Technology Co., Ltd.	Shenzhen	Manufacturing and sales	88.82%	-	Incorporated
Shenzhen China Star Optoelectronics Semiconductor Display Technology Co., Ltd.	Shenzhen	Manufacturing and sales	-	53.87%	Incorporated
Guangzhou China Ray Optoelectronic Materials Co., Ltd.	Guangzhou	Research and development	-	100%	Incorporated
Wuhan China Star Optoelectronics Technology Co., Ltd. (Note 1)	Wuhan	Manufacturing and sales	-	45.55%	Incorporated
Wuhan China Star Optoelectronics Semiconductor Display Technology Co., Ltd. (Note 1)	Wuhan	Manufacturing and sales	-	33.88%	Incorporated
Shenzhen CPT Display Technology Co., Ltd.	Shenzhen	Manufacturing and sales	-	100%	Obtained in a business combination not under common control
China Star Optoelectronics International (HK) Limited	Hong Kong	Sales	-	100%	Incorporated
China Display Optoelectronics Technology Holdings Limited	Bermuda	Investment holding	-	64.21%	Obtained in a business combination not under common control
China Display Optoelectronics Technology (Huizhou) Co., Ltd.	Huizhou	Manufacturing and sales	-	100%	Incorporated
Wuhan China Display Optoelectronics Technology Co., Ltd.	Wuhan	Manufacturing and sales	-	100%	Incorporated
TCL Educational Web Ltd.	The Virgin Islands	Investment holding	-	100%	Incorporated
Shenzhen TCL Educational Technology Co., Ltd.	Shenzhen	Educational services	-	100%	Incorporated
Silk Road (Beijing) International Education and Technology Center Co., Ltd.	Beijing	Educational services	-	80%	Incorporated
Beijing HAWK Cloud Information Technology Co., Ltd.	Beijing	Internet service	100%	-	Incorporated
TCL Culture Media (Shenzhen) Co., Ltd.	Shenzhen	Ad planning	100%	-	Incorporated
Highly Information Industry Co., Ltd.	Beijing	Product distribution	73.69%	-	Incorporated
Beijing Sunpiestore Technology Co., Ltd.	Beijing	Sales	-	60%	Incorporated
Beijing Lingyun Data Technology Co., Ltd.	Beijing	Sales	-	60%	Incorporated

VII Interests in Other Entities (Continued)

1 Interests in subsidiaries (continued)

(1) Major subsidiaries (continued)

Investee	Place of registration	Nature of business	The Company's interest		How subsidiary was obtained
			Direct	Indirect	
TCL Finance Holdings Group (Guangzhou) Co., Ltd.	Shenzhen	Financial	100%	-	Incorporated
TCL Finance Co., Ltd.	Huizhou	Financial	82.00%	-	Incorporated
TCL Finance Technology (Shenzhen) Co., Ltd.	Shenzhen	Financial	-	100%	Incorporated
Shenzhen Baisi Asset Management Co., Ltd.	Shenzhen	Asset management	-	100%	Incorporated
TCL Financial Service (Guangzhou) Co., Ltd.	Guangzhou	Financial services	-	100%	Incorporated
TCL Commercial Factoring (Shenzhen) Co., Ltd.	Shenzhen	Commercial factoring	-	100%	Incorporated
Huizhou Zhongkai TCL Zhirong Technology Microcredit Co., Ltd.	Huizhou	Financial	89.84%	-	Acquired
Xinjiang TCL Equity Investment Co., Ltd	Huizhou	Investment business	100.%	-	Incorporated
TCL Technology Park (Huizhou) Co., Ltd.	Huizhou	Property management	100%	-	Incorporated
Winshero Investment Limited	The Virgin Islands	Investment business	100%	-	Incorporated
TCL Research America Inc.	U.S.	Research and development	-	100%	Incorporated
TCL Industrial Technology Research Institute (Hong Kong) Limited	Hong Kong	Research and development	-	100%	Incorporated
TCL Technology Investments Limited	Hong Kong	Investment business	100%	-	Incorporated

Note 1 Shenzhen China Star Optoelectronics Technology Co., Ltd. was renamed "TCL China Star Optoelectronics Technology Co., Ltd." in October 2019.

Note 2 TCL China Star Optoelectronics Technology Co., Ltd. (hereinafter referred to as "TCL CSOT"), a subsidiary of the Company, has a 45.55% interest in Wuhan China Star Optoelectronics Technology Co., Ltd. (hereinafter referred to as "Wuhan CSOT") and a 33.88% interest in Wuhan China Star Optoelectronics Semiconductor Display Technology Co., Ltd. (hereinafter referred to as "Wuhan CSOT Optoelectronics Semiconductor"). TCL CSOT appoints key management personnel of Wuhan CSOT and Wuhan CSOT Optoelectronics Semiconductor and decides its business and financial policies, so TCL CSOT is considered to have substantial control over Wuhan CSOT. Therefore, Wuhan CSOT is included in the Company's consolidated financial statements.

(2) Subsidiaries with significant non-controlling interests

Name of subsidiaries	Non-controlling interests	Current period Profit or loss attributable to non-controlling interests	Current period Dividends distributed to non-controlling interests	Ending equity attributable to non-controlling interests
TCL China Star Optoelectronics Technology Co., Ltd.	11.18%	576,102	-	32,986,429
Highly Information Industry Co., Ltd.	26.31%	64,251	27,910	297,835

VII Interests in Other Entities (Continued)

1 Interests in subsidiaries (continued)

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

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

	31 December 2019						31 December 2018					
	Current Assets	Non-current Assets	Assets Total	Current Liabilities	Non-current Liabilities	Liabilities Total	Current Assets	Non-current Assets	Assets Total	Current Liabilities	Non-current Liabilities	Liabilities Total
TCL China Star Optoelectronics Technology Co., Ltd.	39,784,300	90,798,110	130,582,410	36,200,599	39,150,594	75,351,192	37,654,261	78,694,317	116,348,578	35,014,430	33,644,993	68,659,423
Highly Information Industry Co., Ltd.	4,482,847	37,662	4,520,509	3,484,042	33,587	3,517,629	3,937,368	20,555	3,957,923	3,050,859	20,000	3,070,859

	31 December 2017					
	Current Assets	Non-current Assets	Assets Total	Current Liabilities	Non-current Liabilities	Liabilities Total
TCL China Star Optoelectronics Technology Co., Ltd.	40,956,744	48,743,798	89,700,542	27,187,180	20,420,363	47,607,543
Highly Information Industry Co., Ltd.	2,833,869	16,439	2,850,308	2,096,563	-	2,096,563

VII Interests in Other Entities (Continued)

1 Interests in subsidiaries (continued)

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

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

	2019				2018			
	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 China Star Optoelectronics Technology Co., Ltd.	33,993,534	964,444	846,436	8,253,015	27,666,368	2,321,582	2,225,619	9,025,339
Highly Information Industry Co., Ltd.	20,835,617	215,604	215,604	194,578	16,566,993	195,939	195,939	(80,265)

	2017			
	Operating revenue	Net profit	Total comprehensive income	Net cash generated from/used in operating activities
TCL China Star Optoelectronics Technology Co., Ltd.	30,574,436	4,861,842	9,886,330	12,047,910
Highly Information Industry Co., Ltd.	15,234,608	194,347	202,766	253,540

VII 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	Nature of business	Strategic to the Group's activities or not	The Company's interest Direct	The Company's interest Indirect
Joint ventures–					
TV University Online Distance Education Technology Co., Ltd.	Beijing	Educational services	Yes	-	50.00%
Huizhou TCL Taidong Shihua Investment Co., Ltd.	Huizhou	Petrochemical	Yes	-	50.00%
Associates–					
Hubei Consumer Finance Company	Wuhan	Financial	Yes	-	20.00%
Bank of Shanghai Co., Ltd.	Shanghai	Financial	Yes	-	5.14%

Note: For the Reporting Period, the Company had a 5.14% 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 2019		31 December 2018	
	TV University Online Distance Education Technology Co., Ltd.	Huizhou TCL Taidong Shihua Investment Co., Ltd.	TV University Online Distance Education Technology Co., Ltd.	Huizhou TCL Taidong Shihua Investment Co., Ltd.
Current assets	1,280,911	2,488	1,237,435	8,504
Non-current assets	73,852	45,741	76,396	32,517
Total assets	1,354,763	48,229	1,313,831	41,021
Current liabilities	1,033,623	22,671	1,049,238	2,734
Non-current liabilities	29,140	-	27,385	-
Total liabilities	1,062,763	22,671	1,076,623	2,734
Non-controlling interests	8,489	-	7,236	-
Equity attributable to shareholders of the Company as the parent	283,511	25,558	229,972	38,287
Share of equity in proportion to the Company's interest	141,756	12,779	114,986	19,143
Carrying amount of investment in joint venture	137,902	12,779	111,062	19,143

VII Interests in Other Entities (Continued)

2 Interests in joint ventures and associates (continued)

(2) Key financial information of major joint ventures (continued)

	31 December 2017	
	TV University Online Distance Education Technology Co., Ltd.	Huizhou TCL Taidong Shihua Investment Co., Ltd.
Current assets	1,353,831	14,730
Non-current assets	72,837	33,107
Total assets	1,426,668	47,837
Current liabilities	1,109,984	2,657
Non-current liabilities	28,059	
Total liabilities	1,138,043	2,657
Non-controlling interests	5,547	-
Equity attributable to shareholders of the Company as the parent	283,078	45,180
Share of equity in proportion to the Company's interest	141,539	22,590
Carrying amount of investment in joint venture	135,342	22,590

	2019		2018	
	TV University Online Distance Education Technology Co., Ltd.	Huizhou TCL Taidong Shihua Investment Co., Ltd.	TV University Online Distance Education Technology Co., Ltd.	Huizhou TCL Taidong Shihua Investment Co., Ltd.
Operating revenue	1,795,624	12,849	1,685,044	42,253
Net profit	54,791	(12,728)	55,116	(6,894)
Other comprehensive income	-	-	-	-
Total comprehensive income	54,791	(12,728)	55,116	(6,894)
Dividends received by the Group from joint venture for current period	-	-	52,954	-

	2017	
	TV University Online Distance Education Technology Co., Ltd.	Huizhou TCL Taidong Shihua Investment Co., Ltd.
Operating revenue	1,548,621	67,510
Net profit	57,076	(8,557)
Other comprehensive income	-	-
Total comprehensive income	57,076	(8,557)
Dividends received by the Group from joint venture for current period	26,359	-

VII Interests in Other Entities (Continued)

(3) Key financial information of major associates

	31 December 2019		31 December 2018	
	Hubei Consumer Finance Company	Bank of Shanghai Co., Ltd. (note)	Hubei Consumer Finance Company	Bank of Shanghai Co., Ltd.
Current assets	727,821	N/A	661,070	340,781,435
Non-current assets	8,132,767	N/A	6,540,249	1,686,990,964
Total assets	8,860,588	2,237,082,000	7,201,319	2,027,772,399
Current liabilities	7,231,109	N/A	5,872,483	1,670,100,906
Non-current liabilities	156,367	N/A	627,404	195,902,885
Total liabilities	7,387,476	N/A	6,499,887	1,866,003,791
Non-controlling interests	-	-	-	492,059
Equity attributable to shareholders of the Company as the parent	1,473,113	176,709,000	701,432	161,276,549
Share of equity in proportion to the Company's interest	294,623	9,077,785	140,286	8,045,973
Carrying amount of investment in associate	156,463	9,314,611	140,286	8,363,564

	31 December 2017	
	Hubei Consumer Finance Company	Bank of Shanghai Co., Ltd.
Current assets	6,526,234	317,912,792
Non-current assets	91,043	1,489,854,146
Total assets	6,617,278	1,807,766,938
Current liabilities	5,458,105	1,489,271,838
Non-current liabilities	560,820	171,053,697
Total liabilities	6,018,924	1,660,325,535
Non-controlling interests	-	456,267
Equity attributable to shareholders of the Company as the parent	598,353	146,985,136
Share of equity in proportion to the Company's interest	119,671	7,332,984
Carrying amount of investment in associate	120,343	7,630,711

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

VII Interests in Other Entities (Continued)

2 Interests in joint ventures and associates (continued)

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

	2019		2018	
	Hubei Consumer Finance Company	Bank of Shanghai Co., Ltd.	Hubei Consumer Finance Company	Bank of Shanghai Co., Ltd.
Operating revenue	1,379,387	49,800,000	337,065	43,887,822
Net profit	110,881	N/A	32,544	18,067,835
Other Comprehensive Income	-	-	-	1,180,474
Total comprehensive income	110,881	22,400,000	32,544	19,248,309
Dividends received by the Group from associate for current period	7,362	245,339	-	194,713

	2017	
	Hubei Consumer Finance Company	Bank of Shanghai Co., Ltd.
Operating revenue	821,751	33,124,995
Net profit	103,078	15,336,793
Other Comprehensive Income	-	(1,056,287)
Total comprehensive income	103,078	14,280,506
Dividends received by the Group from associate for current period	-	100,740

VII Interests in Other Entities (Continued)

(4) Financial information of insignificant joint ventures and associates combined respectively

	2019	2018	2017
Joint ventures:			
Aggregated carrying amount of investments	23,876	490,684	44,422
Aggregate of following items calculated in proportion to the Company's interest			-
Net profit (note)	17,207	1,926	(13,107)
Other comprehensive income (note)	-	-	-
Total comprehensive income	17,207	1,926	(13,107)
Associates:			
Aggregated carrying amount of investments	6,942,645	7,268,434	13,901,499
Aggregate of following items calculated in proportion to the Company's interest			
Net profit (note)	550,645	393,086	1,030,673
Other comprehensive income (note)	(12,991)	105,061	12,915
Total comprehensive income	537,654	498,147	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.

VIII Classification of Financial Instruments and Fair Value

Fair value of financial instruments and levels

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

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

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

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

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

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

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

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

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

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

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

VIII Classification of Financial Instruments and Fair Value (Continued)

5. Financial instruments measured at three levels of fair value as at 31 December 2019

Financial assets

Item	Level 1	Level 2	Level 3	Total
Held-for-trading financial assets (see Note V, 2)	2,675,154	356,155	3,043,442	6,074,751
Derivative financial assets (see Note V, 4)	-	159,036	-	159,036
Investments in other equity instruments (see Note V, 16)	192,489	-	87,395	279,884
Other non-current financial assets(see Note V, 17)	-	-	2,542,689	2,542,689
Total assets continuously measured at fair value	2,867,643	515,191	5,673,526	9,056,360

Financial liabilities

Item	Level 1	Level 2	Level 3	Total
Held-for-trading financial liabilities(see Note V, 30)	43,000	145,220	-	188,220
Derivative financial liabilities (see note V, 32)	-	84,705	-	84,705
Total liabilities continuously measured at fair value	43,000	229,925	-	272,925

IX Related Parties and Related-Party Transactions

1 Actual controller and its acting-in-concert parties

The Company has no controlling shareholder.

Mr. Li Dongsheng and Xinjiang Jiutian Liancheng Equity Investment Partnership (Limited Partnership) became the concerted parties due to the signing of the Concerted Action Agreement, holding a total of 1,221,748,000 shares, making them the largest shareholder of the Company.

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

IX 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
Petro AP (Hong Kong) Company Limited	Associate
Huizhou TCL Taidong Shihua Investment Co., Ltd.	Joint Venture
TV University Online Distance Education Technology Co., Ltd.	Joint Venture
Zhihui Xinyuan Commercial (Huizhou) Co., Ltd.	Associate
Yizheng Zeyu Electric Light Co., Ltd.	Associate
AGC New Electronic Display Glass (Shenzhen) Co., Ltd.	Associate
Xinjiang Dongpeng Weichuang Equity Investment Partnership (Limited Partnership)	Associate
Xinjiang Dongpeng Heli Equity Investment Partnership (Limited Partnership)	Associate
Tibet Dongwei Investment Management Center (Limited Partnership)	Associate
Urumqi Dongpeng Chuangdong Equity Investment Management Partnership (Limited Partnership)	Associate
Urumqi TCL Create Dynamic Equity Investment Management Co., Ltd.	Associate
Shenzhen Tianyi Hemeng Education Co., Ltd.	Associate
Shenzhen Tixiang Management Technology Co., Ltd.	Associate
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	Associate
Shenzhen Jucai Supply Chain Technology Co., Ltd.	Associate
Shanghai Huiying Medical Technology Co., Ltd.	Associate
Shanghai Gen Auspicious Investment Management Co., Ltd.	Associate
Nanjing A Dynamic Equity Investment Fund Management Co., Ltd.	Associate
Huizhou Kaichuang Venture Investment Partnership (Limited Partnership)	Associate
Huizhou TCL Environmental Resource Co., Ltd. and its subsidiaries	Associate
Huizhou TCL Real Estate Development Co., Ltd.	Associate
Hubei Changjiang Hezhi Equity Investment Fund Management Co., Ltd.	Associate
Beijing A Dynamic Investment Consulting Co., Ltd.	Associate

IX Related Parties and Related-Party Transactions (Continued)

2 Related parties that do not control or are not controlled by the company (continued)

TCL Air Conditioner (Wuhan) Co., Ltd. and Its Subsidiary	Associate
Getech Ltd. and its subsidiaries	Associate
TCL Finance (HK) Limited	Associate
Bank of Shanghai Co., Ltd.	Associate
Purplevine IP Operating (Shenzhen) Co. Ltd	Associate’s subsidiary
Zijinshan Investment Co., Ltd.	Associate’s subsidiary
Elite Excellent Investments Limited	Associate’s subsidiary
Qihang Import&Export Limited	Associate’s subsidiary
Huixing Holdings Limited	Associate’s subsidiary
UNION DYNAMIC INVESTMENT LIMITED	Associate’s subsidiary
MARVEL PARADISE LIMITED	Associate’s subsidiary
ESTEEM VENTURE INVESTMENT LIMITED	Associate’s subsidiary
PETRO AP S.A.	Associate’s subsidiary
Shenzhen Xirang International Commercial Travel Co., Ltd.	Associate’s subsidiary
Beijing National Center for Open & Distance Education Co., Ltd.	Joint venture’s subsidiary
CJ Speedex Logistics Co., Ltd.	Enterprises Greatly Affected by the same director
TCL Industries Holdings Inc.and its Subsidiaries	Enterprises under the control of the same director

IX Related Parties and Related-Party Transactions (Continued)

3 Major related-party transactions

(1) Sale of raw materials and finished products to related parties (note 1)

	2019	2018	2017
TCL Industries Holdings Inc. and its subsidiaries	6,963,427	-	-
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	652,343	550,794	261,399
Qihang Import and Export Limited	511,551	474,640	18,084
Saipu TCL Electronic Industrial Technology Co., Ltd.	252,078	901,905	728,172
Subida Xijie Logistics Co., Ltd.	85,540	179,939	18,894
TCL Sun Inc.	79,594	273,062	-
TCT Mobile - Telefones LTDA	44,889	103,045	-
T2Mobile International Limited	23,346	84,163	88,896
Huizhou TCL Environmental Resource Co., Ltd. and its subsidiaries	5,177	-	-
Ziteng Intellectual Property Operation (Shenzhen) Co., Ltd.	713	61	-
Taiyang Electro-optic (Huizhou) Co., Ltd.	336	144	138
Beijing Shangdao Yuetu Technology Co., Ltd.	240	-	-
Palm Venture Group	238	63,947	-
Shenzhen Thunderbird Smart Products Co.,Ltd.	116	21,130	33,177
Shenzhen Tixiang Enterprise Management Technology Co., Ltd.	40	18	-
Shenzhen Jucai Supply Chain Technology Co., Ltd.	19	136	-
Huizhou Gaoshengda Technology Co., Ltd.	15	41	72,514
Beijing National Center for Open & Distance Education Co., Ltd.	12	92	-
TCL Zhiyi Technology Huizhou Co., Ltd.	-	8,653	32,452
TCL Very Lighting Technology (Huizhou) Co., Ltd.	-	41,217	-
T2Mobile (Shanghai) Limited	-	2,665	2
Honpe Technology (Shenzhen) Co., Ltd.	-	185	-
Shenzhen Thunderbird Network Technology Co., Ltd.	-	37	-
Huizhou Shenghua Industrial Co., Ltd.	-	3,031	3,324
Huizhou TCL Real Estate Development Co.,Ltd.	-	6	6
Shenzhen Thunderbird Information Technology Co., Ltd.	-	7	-
Shenzhen Thunderbird Network Media Co.,Ltd.	-	1229	6,690
TCL Sun,Inc.	-	-	264,048
Le Shi Zhi Xin Electronics & Technology (Tianjin) Co., Ltd.	-	-	488,606
Huizhou Zhongkai TCL Zhirong Technology Microcredit Co., Ltd.	-	-	29
LG Innotek Huizhou Co., Ltd.	-	-	54515
	8,619,674	2,710,147	2,070,946

IX Related Parties and Related-Party Transactions (Continued)

3 Major related-party transactions (continued)

(2) Procurement of raw materials and finished goods from related parties (note 2)

	2019	2018	2017
AGC New Electronic Display Glass (Shenzhen) Co., Ltd.	1,147,113	13,651	-
TCL Industries Holdings Inc.and its Subsidiaries	813,551	-	-
Huizhou Gaoshengda Technology Co., Ltd.	154,843	1,257,707	267,910
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	95,669	405,848	116,504
CJ Speedex Logistics Co., Ltd.	78,847	340,253	-
Shenzhen Jucai Supply Chain Technology Co., Ltd.	68,832	44,272	-
Taiyang Electro-optic (Huizhou) Co., Ltd.	50,882	236,562	165,533
TCL Very Lighting Technology (Huizhou) Co., Ltd.	41,946	257,248	-
Wuhan Shangde Plastics Technology Co., Ltd.	33,866	132,862	125,585
Huizhou Shenghua Industrial Co., Ltd.	20,659	329,165	95,296
Amlogic Co., Limited	13,947	99,940	73,399
Qihang Import&Export Limited	3,529	242,316	3,612
Huizhou TCL Taidong Shihua Investment Co., Ltd.	1,551	-	16,114
Shenzhen Thunderbird Network Media Co., Ltd.	695	2,457	-
Shenzhen Thunderbird Smart Products Co., Ltd.	370	21,841	22,856
Canyon Circuit Technology (Huizhou) Co., Ltd.	58	3,166	-
Guangdong Regency Optics-Electron Corp.	-	56,909	70,255
Yizheng Zeyu Electric Light Co., Ltd.	-	7,371	-
Tairui (Hong Kong) Limited	-	7,337	-
TCL Rechi (Huizhou) Refrigeration Equipment Co., Ltd.	-	3,156	7,344
Rechi Precision Mechanism (Huizhou) Co., Ltd.	-	513	-
TCL Zhiyi Technology (Huizhou) Co., Ltd.	-	-	11,574
Le Shi Zhi Xin Electronics & Technology (Tianjin) Co., Ltd.	-	-	133,749
Honpe Technology (Shenzhen) Co., Ltd.	-	-	17,054
Shenzhen Thunderbird Network Technology Co.	-	-	37
	2,526,358	3,462,574	1,126,822

IX Related Parties and Related-Party Transactions (Continued)

3 Major related-party transactions (continued)

(3) Getting funding from related parties (note 3)

	2019	2018	2017
TCL Air Conditioner (Wuhan) Co., Ltd. and Its Subsidiary	652,105	-	-
Zhihui Xinyuan Commercial (Huizhou) Co., Ltd.	350,004	-	-
Xinjiang Dongpeng Weichuang Equity Investment Partnership (Limited Partnership)	169,288	-	-
Huizhou TCL Environmental Resource Co., Ltd. and its subsidiaries	82,659	-	-
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	30,475	29,876	23,616
Qihang Import&Export Limited	28,267	64,677	8,427
Shenzhen Jucai Supply Chain Technology Co., Ltd.	22,535	17,346	5,106
Beijing National Center for Open & Distance Education Co., Ltd.	5,081	13,177	8,950
Elite Excellent Investments Limited	2,164	2,162	2,076
Shenzhen Tixiang Management Technology Co., Ltd.	1,599	845	-
Huixing Holdings Limited	665	668	676
MARVEL PARADISE LIMITED	640	641	627
TV University Online Distance Education Technology Co., Ltd.	554	1,534	3,308
UNION DYNAMIC INVESTMENT LIMITED	471	775	761
Xinjiang Dongpeng Heli Equity Investment Partnership (Limited Partnership)	297	-	-
Petro AP (Hong Kong) Company Limited	140	-	-
ESTEEM VENTURE INVESTMENT LIMITED	97	-	-
Zijinshan Investment Co., Ltd.	1	6	-
Huan Tech Co., Ltd.	-	467	462
Shenzhen Thunderbird Network Technology Co., Ltd.	-	436,565	776
CJ Speedex Logistics Co., Ltd.	-	25,138	24,890
Huizhou Gaoshengda Technology Co., Ltd.	-	28,907	9,894
Shenzhen Thunderbird Network Media Co., Ltd.	-	84,760	21,920
Canyon Circuit Technology (Huizhou) Co., Ltd.	-	60,085	-
Huizhou Shenghua Industrial Co., Ltd.	-	5,863	-
Taiyang Electro-optic (Huizhou) Co., Ltd.	-	4,658	2,930
Shenzhen Thunderbird Smart Products Co., Ltd.	-	1,620	207
Shenzhen Thunderbird Information Technology Co., Ltd.	-	4,663	450
Huizhou TCL Resource Investment Co., Ltd.	-	-	17,899
	1,347,042	784,433	132,975

IX Related Parties and Related-Party Transactions (Continued)

3 Major related-party transactions (continued)

(4) Providing funding for related parties (note 4)

	2019	2018	2017
TCL Industries Holdings Inc.and its Subsidiaries	2,692,921	-	-
Huizhou TCL Environmental Resource Co., Ltd. and its subsidiaries	427,593	-	-
TCL Air Conditioner (Wuhan) Co., Ltd. and Its Subsidiary	146,439	-	-
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	112,318	43,000	-
Qihang Import&Export Limited	-	5,230	2,257
Huizhou Gaoshengda Technology Co., Ltd.	-	45,819	-
Canyon Circuit Technology (Huizhou) Co., Ltd.	-	10,000	-
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	-	-	50,000
	3,379,271	104,049	52,257

(5) Lease

	2019	2018	2017
Rental income			
AGC New Electronic Display Glass (Shenzhen) Co., Ltd.	40,629	24,082	-
TCL Industries Holdings Inc.and its Subsidiaries	22,572	-	-
Beijing National Center for Open & Distance Education Co., Ltd.	3,361	13,625	21,288
Huizhou TCL Real Estate Development Co., Ltd.	866	70	2,399
Shenzhen Thunderbird Network Media Co., Ltd.	787	1,575	-
Shenzhen Thunderbird Information Technology Co., Ltd.	608	1,041	-
Shenzhen Jucai Supply Chain Technology Co., Ltd.	449	-	-
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	445	1,703	1,425
CJ Speedex Logistics Co., Ltd.	431	1,109	311
Purplevine IP Operating (Shenzhen) Co. Ltd	366	211	-
Hubei Changjiang Hezhi Equity Investment Fund Management Co., Ltd.	253	871	-
Shanghai Huiying Medical Technology Co., Ltd.	213	-	-
Zhihui Xinyuan Commerce (Huizhou) Co., Ltd.	169	-	-
Urumqi Dongpeng Chuangdong Equity Investment Management Partnership (Limited Partnership)	60	215	-
Shenzhen Tianyi Hemeng Education Co., Ltd.	34	-	-
Shenzhen Yisheng Kangyun Technology Development Co., Ltd.	31	122	-
Huan Tech Co., Ltd.	10	68	1,071
Huizhou Shenghua Industrial Co., Ltd.	1	1	-
Taiyang Electro-optic (Huizhou) Co., Ltd.	1	2	2

IX Related Parties and Related-Party Transactions (Continued)

3 Major related-party transactions (continued)

(5) Lease (continued)

	2019	2018	2017
TCL Very Lighting Technology (Huizhou) Co., Ltd.	-	1	-
Beijing A Dynamic Investment Consulting Co., Ltd.	-	4	-
Huizhou Kaichuang Venture Investment Partnership (Limited Partnership)	-	4	-
Nanjing A Dynamic Equity Investment Fund Management Co., Ltd.	-	4	-
Qingteng Intellectual Property Holding (Shenzhen) Co., Ltd.	-	396	-
Shanghai Gen Auspicious Investment Management Co., Ltd.	-	4	-
Urumqi TCL Create Dynamic Equity Investment Management Co., Ltd.	-	215	-
Shenzhen Thunderbird Network Technology Co., Ltd.	-	1	1
Tibet Dongwei Fund Management Center (Limited Partnership)	-	12	-
Guangdong Regency Optics-Electron Corp.	-	46	-
Huizhou Gaoshengda Technology Co., Ltd.	-	-	4
Honpe Technology (Shenzhen) Co., Ltd.	-	-	68
T2Mobile (Shanghai) Limited	-	-	585
Huizhou Zhongkai TCL Zhirong Technology Microcredit Co., Ltd.	-	-	197
	71,286	45,382	27,351

	2019	2018	2017
Rental expense			
TCL Industries Holdings Inc.and its Subsidiaries	38,110	-	-
Wuhan Lesheng Times Trading Co., Ltd.	9,544	42,565	-
CJ Speedex Logistics Co., Ltd.	4,558	-	461
TCL Very Lighting Technology (Huizhou) Co., Ltd.	603	-	-
Shenzhen Jucai Supply Chain Technology Co., Ltd.	-	272	-
Shenzhen Yisheng Kangyun Technology Development Co., Ltd.	-	52	-
	52,815	42,889	461

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

	2019	2018	2017
Providing labour service for related parties	306,009	74,722	104,139
Accepting labour service from related parties	639,429	1,329,540	45,311

IX Related Parties and Related-Party Transactions (Continued)

3 Major related-party transactions (continued)

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

	2019	2018	2017
Interest received	104,297	16,421	5,354
Interest paid	14,226	15,854	2,604

(8) Remuneration of key management personnel

	2019	2018	2017
Remuneration of key management personnel	29,639	25,864	29,832

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. 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 The following transactions between the Company and the Company in January and March of this period are related transactions

Related party	Relationship with the Company
Active Industries International Limited	Associate
Harvey Holdings Limited	Associate
KAI OS TECHNOLOGIES INC	Associate
Opta Corporation	Associate
Palm Venture Group	Associate
TCL Very Lighting Technology (Huizhou) Co., Ltd.	Associate

IX Related Parties and Related-Party Transactions (Continued)

3 Major related-party transactions (continued)

Note 4 The following transactions between the Company and the Company in 2017, 2018 and January-March of 2019 are related transactions (continued)

TCL Mingchuang (Xi'an) Co., Ltd.	Associate
TCL Rechi (Huizhou) Refrigeration Equipment Co., Ltd.	Associate
Beijing Shangdao Yuetu Technology Co., Ltd.	Associate
Wealthy Way Group Limited	Associate
Amlogic (Shanghai) Inc.	Associate
Saipwell TCL Electronics Industrial Technology Co., Ltd.	Associate
China Merchants Real Estate (Pingshan, Shenzhen) Co., Ltd.	Associat
Canyon Circuit Technology (Huizhou) Co., Ltd.	Associate
Taiyang Electro-optic (Huizhou) Co., Ltd.	Associate
Wuhan Shangde Plastics Technology Co., Ltd.	Associate
Shenzhen Shenchangcheng Commercial Property Service Co., Ltd.	Associate
TCL Sun,Inc.	Joint venture
TCL Zhiyi Technology (Huizhou) Co., Ltd.	Joint venture
T2Mobile Limited	Joint venture
Amlogic Co., Limited	Associate's subsidiary
Good Vision Limited	Associate's subsidiary
TCT Mobile - Telefones LTDA	Associate's subsidiary
Gaoweida Digital Technology (Huizhou) Co., Ltd.	Associate's subsidiary
Honpe Technology (Shenzhen) Co., Ltd.	Associate's subsidiary
Huizhou Gaoshengda Technology Co., Ltd.	Associate's subsidiary
Huizhou Shenghua Industrial Co., Ltd.	Associate's subsidiary
Jinpe Technology (HK) Co., Limited	Associate's subsidiary
Shenzhen Yisheng Kangyun Technology Development Co., Ltd.	Associate's subsidiary
Tairui (Hong Kong) Limited	Associate's subsidiary
Wuhan Lesheng Times Trading Co., Ltd.	Associate's subsidiary
Xiong Hua Investment Co., Ltd.	Associate's subsidiary
T2Mobile International Limited	Joint venture's subsidiary
T2Mobile (Shanghai) Limited	Joint venture's subsidiary
Le Shi Zhi Xin Electronics & Technology (Tianjin) Co., Ltd.	Major subsidiary's non-controlling shareholder

IX Related Parties and Related-Party Transactions (Continued)

4 Amounts due from and to related parties

(1) Accounts receivable

	2019	2018	2017
TCL Industries Holdings Inc.and its Subsidiaries	2,169,426	-	-
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	32,242	136,049	299,867
Qihang Import&Export Limited	24,892	50,223	162,963
Shanghai Huiying Medical Technology Co., Ltd.	1,000	-	-
Bank of Shanghai Co., Ltd.	68	-	-
Purplevine IP Operating (Shenzhen) Co. Ltd	39	-	-
CJ Speedex Logistics Co., Ltd.	33	-	-
Huizhou TCL Real Estate Development Co., Ltd.	-	6	241
Saipwell TCL Electronics Industrial Technology Co., Ltd.	-	173,651	167,674
TCL Sun,Inc.	-	79,672	73,999
Shenzhen Thunderbird Smart Products Co., Ltd.	-	12,513	3,810
T2Mobile International Limited	-	46,362	15,365
T2Mobile (Shanghai) Limited	-	2,774	404
TCL Zhiyi Technology (Huizhou) Co., Ltd.	-	1,479	6,764
Beijing National Center for Open & Distance Education Co., Ltd.	-	102	98
Palm Venture Group	-	18,582	-
Le Shi Zhi Xin Electronics & Technology (Tianjin) Co., Ltd.	-	3,442	-
Huan Tech Co., Ltd.	-	430	566
Shenzhen Thunderbird Network Media Co., Ltd.	-	-	70
Good Vision Limited	-	-	5,454
LG Innotek Huizhou Co., Ltd.	-	-	10,705
Harvey Holdings Limited	-	-	44
	2,227,700	525,285	748,024

IX Related Parties and Related-Party Transactions (Continued)

4 Amounts due from and to related parties (continued)

(2) Accounts payable

	2019	2018	2017
AGC New Electronic Display Glass (Shenzhen) Co., Ltd.	410,872	14,839	-
TCL Industries Holdings Inc.and its Subsidiaries	294,817	-	-
Huizhou TCL Environmental Resource Co., Ltd. and its subsidiaries	54,112	-	-
Getech Ltd. and its subsidiaries	23,617	-	-
Shenzhen Jucai Supply Chain Technology Co., Ltd.	19,746	24,711	162
TCL Nanyang Electric Appliance (Guangzhou) Co., Ltd.	-	136	136
Huizhou Gaoshengda Technology Co., Ltd.	-	359,391	322,688
Taiyang Electro-optic (Huizhou) Co., Ltd.	-	91,306	74,446
Wuhan Shangde Plastics Technology Co., Ltd.	-	8,576	19,487
Huizhou Shenghua Industrial Co., Ltd.	-	91,947	-
Shenzhen Thunderbird Network Media Co., Ltd.	-	2,879	-
Amlogic Co., Limited	-	14,057	7,163
CJ Speedex Logistics Co., Ltd.	-	81,585	28,085
Harvey Holdings Limited	-	12	-
Shenzhen Shenchangcheng Commercial 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
	803,164	689,444	493,212

IX Related Parties and Related-Party Transactions (Continued)

4 Amounts due from and to related parties (continued)

(3) Other receivables

	2019	2018	2017
TCL Industries Holdings Inc.and its Subsidiaries	59,769	-	-
Huizhou TCL Environmental Resource Co., Ltd. and its subsidiaries	22,253	-	-
PETRO AP S.A.	1,296	-	-
Nanjing Zijin Chuangdong Investment Partnership (Limited Partnership)	296	296	-
Shenzhen Jucai Supply Chain Technology Co., Ltd.	144	3,358	-
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	75	22,092	49,500
LG Electronics(Hui Zhou) INC.	46	10	-
Wuxi TCL Medical Imaging Technology Co., Ltd.	5	-	-
Beijing WeMed Medical Equipment Co., Ltd.	2	-	3,777
TCL Air Conditioner (Wuhan) Co., Ltd. and Its Subsidiary	2	-	-
Huan Tech Co., Ltd.	-	22	3
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
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 Thunderbird Smart Products Co., Ltd.	-	1,849	36
Le Shi Zhi Xin Electronics & Technology (Tianjin) Co., Ltd.	-	800	-
Shenzhen Tixiang Management Technology Co., Ltd.	-	341	-
Shenzhen Thunderbird Network Media Co., Ltd.	-	251	695
Wealthy Way Group Limited	-	78	-
Shenzhen Changcheng Commercial Technology Property Service Co., Ltd.	-	21	-
Xiong Hua Investment Co., Ltd.	-	17	17
T2Mobile International Limited	-	6	-
Changzhou Chuangdong Fund Management Co., Ltd.	-	2	-
Shenzhen Jiutian Matrix Investment Management Co., Ltd.	-	2	-
Le Shi Zhi Xin Electronics & Technology (Tianjin) Co., Ltd.	-	-	800
Xinjiang Dongpeng Weichuang Equity Investment Partnership (Limited Partnership)	-	-	40,300
T2Mobile (Shanghai) Limited	-	-	3,676
Shanghai Chuangxiang Venture Capital Partnership (Limited Partnership)	-	-	2,180

IX Related Parties and Related-Party Transactions (Continued)

4 Amounts due from and to related parties (continued)

(3) Other receivables (continued)

	2019	2018	2017
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
	83,888	581,924	350,617

(4) Other payables

	2019	2018	2017
TCL Industries Holdings Inc.and its Subsidiaries	49,029	-	-
Qihang Import&Export Limited	28,268	59,446	6,170
TCL Air Conditioner (Wuhan) Co., Ltd. and Its Subsidiary	27,654	-	-
Getech Ltd. and its subsidiaries	23,137	-	-
Petro AP (Hong Kong) Company Limited	23,100	-	-
TCL Finance (HK) Limited	12,208	-	-
Zhihui Xinyuan Commercial (Huizhou) Co., Ltd.	5,541	-	-
AGC New Electronic Display Glass (Shenzhen) Co., Ltd.	4,701	4,659	-
Shenzhen Tixiang Management Technology Co., Ltd.	3,591	-	-
Purplevine IP Operating (Shenzhen) Co. Ltd	3,238	-	-
Shenzhen Xirang International Business Travel Co., Ltd.	2,769	-	-
Elite Excellent Investments Limited	2,164	2,162	2,076
TCL Nanyang Electric Appliance (Guangzhou) Co., Ltd.	2,035	2,035	255
Xinjiang Dongpeng Weichuang Equity Investment Partnership (Limited Partnership)	1,102	-	-
CJ Speedex Logistics Co., Ltd.	1,040	87,330	68,590
Huixing Holdings Limited	665	668	676
MARVEL PARADISE LIMITED	640	641	627
UNION DYNAMIC INVESTMENT LIMITED	471	775	761
Huizhou TCL Environmental Resource Co., Ltd. and its subsidiaries	384	-	-
Beijing National Center for Open & Distance Education Co., Ltd.	168	3,282	300
Huizhou TCL Real Estate Development Co., Ltd.	165	2	2,385

IX Related Parties and Related-Party Transactions (Continued)

4 Amounts due from and to related parties (continued)

(4) Other payables (continued)

	2019	2018	2017
TV University Online Distance Education Technology Co., Ltd.	138	139	141
ESTEEM VENTURE INVESTMENT LIMITED	97	-	-
Xinjiang Dongpeng Heli Equity Investment Partnership (Limited Partnership)	37	-	-
Zijinshan Investment Co., Ltd.	1	6	-
Shenzhen Thunderbird Network Technology Co., Ltd.	-	409,752	-
Opta Corporation	-	34,190	32,610
Good Vision Limited	-	5,708	5,440
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
Huizhou Shenghua Industrial Co., Ltd.	-	718	-
Shenzhen Thunderbird Information Technology Co., Ltd.	-	241	-
T2Mobile Limited	-	176	166
Hubei Changjiang Hezhi Equity Investment Fund Management Co., Ltd.	-	172	74
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	-
Gaoweida Digital Technology (Huizhou) Co., Ltd.	-	2	2
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
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
	192,343	615,818	258,159

IX Related Parties and Related-Party Transactions (Continued)

4 Amounts due from and to related parties (continued)

(5) Prepayments to related parties

	2019	2018	2017
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	31,592	-	22,693
Shenzhen Xirang International Business Travel Co., Ltd.	1,446	-	-
TCL Industries Holdings Inc.and its Subsidiaries	565	-	-
Shenzhen Tixiang Management Technology Co., Ltd.	200	-	-
TCL Air Conditioner (Wuhan) Co., Ltd. and Its Subsidiary	35	-	-
Shenzhen Jucai Supply Chain Technology Co., Ltd.	-	29	-
CJ Speedex Logistics Co., Ltd.	-	1,758	1,760
T2Mobile (Shanghai) Limited	-	1,130	1,784
Le Shi Zhi Xin Electronics & Technology (Tianjin) Co., Ltd.	-	18	-
Le Shi Zhi Xin Electronics & Technology (Tianjin) Co., Ltd.	-	-	2,128
Honpe Technology (Shenzhen) Co., Ltd.	-	-	1,056
	33,838	2,935	29,421

(6) Advances from related parties

	2019	2018	2017
TCL Industries Holdings Inc.and its Subsidiaries	1,994	-	-
Huizhou TCL Environmental Resource Co., Ltd. and its subsidiaries	328	-	-
Huizhou TCL Real Estate Development Co., Ltd.	76	-	-
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
	2,398	7,561	208

IX Related Parties and Related-Party Transactions (Continued)

4 Amounts due from and to related parties (continued)

(7) Dividend receivable

	2019	2018	2017
Wuxi TCL Venture Capital Partnership (Limited Partnership)	5,771	-	-
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
	5,771	47,748	11,103

(8) Deposits from related parties (note)

	2019	2018	2017
TCL Air Conditioner (Wuhan) Co., Ltd. and Its Subsidiary	652,130	-	-
TCL Industries Holdings Inc.and its Subsidiaries	350,004	-	-
Xinjiang Dongpeng Weichuang Equity Investment Partnership (Limited Partnership)	169,316	-	-
Huizhou TCL Environmental Resource Co., Ltd. and its subsidiaries	83,149	-	-
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	30,489	29,876	23,616
Qihang Import&Export Limited	28,267	-	-
Shenzhen Jucai Supply Chain Technology Co., Ltd.	22,544	17,346	5,106
Beijing National Center for Open & Distance Education Co., Ltd.	5,087	13,032	8,809
Elite Excellent Investments Limited	2,164	-	-
Shenzhen Tixiang Management Technology Co., Ltd.	1,601	845	17,178
Huixing Holdings Limited	665	-	-
MARVEL PARADISE LIMITED	640	-	-
TV University Online Distance Education Technology Co., Ltd.	554	1,394	3,167
UNION DYNAMIC INVESTMENT LIMITED	471	-	-
Xinjiang Dongpeng Heli Equity Investment Partnership (Limited Partnership)	297	-	-
Zhihui Xinyuan Commerce (Huizhou) Co., Ltd.	243		-
Petro AP (Hong Kong) Company Limited	140	-	-
ESTEEM VENTURE INVESTMENT LIMITED	97	-	-
Zijinshan Investment Co., Ltd.	1	-	-
Huan Tech Co., Ltd.	-	467	462
Shenzhen Thunderbird Network Media Co., Ltd.	-	84,760	21,920
Canyon Circuit Technology (Huizhou) Co., Ltd.	-	60,085	-
Huizhou Gaoshengda Technology Co., Ltd.	-	28,907	9,402
Shenzhen Thunderbird Network Technology Co., Ltd.	-	26,565	776

IX Related Parties and Related-Party Transactions (Continued)

4 Amounts due from and to related parties (continued)

(8) Deposits from related parties (note)

	2019	2018	2017
CJ Speedex Logistics Co., Ltd.	-	14,465	23,724
Huizhou Shenghua Industrial Co., Ltd.	-	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
Shenzhen Yisheng Kangyun Technology Development Co., Ltd.	-	-	-
	1,347,859	293,734	117,654

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

(9) Interest receivable

	2019	2018	2017
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	-	71	77
Harvey Holdings Limited	-	4,953	2,411
Qihang Import&Export Limited	-	78	-
Huizhou Gaoshengda Technology Co., Ltd.	-	34	-
Canyon Circuit Technology (Huizhou) Co., Ltd.	-	18	-
	-	5,154	2,488

(10) Other non-current assets

	2019	2018	2017
Purplevine IP Operating (Shenzhen) Co. Ltd	129,965	-	-
	129,965	-	-

IX Related Parties and Related-Party Transactions (Continued)

4 Amounts due from and to related parties (continued)

(11) Other current assets

	2019	2018	2017
TCL Industries Holdings Inc.and its Subsidiaries	5,208	-	-
Huizhou TCL Environmental Resource Co., Ltd. and its subsidiaries	738	-	-
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	193	-	-
TCL Air Conditioner (Wuhan) Co., Ltd. and Its Subsidiary	189	-	-
	6,328	-	-

X 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：

	2019	2018	2017
Year 1	26,347	101,775	61,451
Year 2	16,748	87,092	52,297
Year 3	6,705	42,858	43,809
Thereafter	5,416	67,742	52,515
	55,216	299,467	210,072

2 Capital commitments

		2019	2018	2017
Under contractual obligations but not provided for	Note1	6,733,484	8,609,241	8,322,088
Approved by Board but not under contractual obligations	Note 2	77,087	8,627	-
		6,810,571	8,617,868	8,322,088

Note1 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 2019, except for the disclosures above, there were no other major commitments that are required to be disclosed.

XI Contingencies

Guarantees provided for external parties

As at 31 December 2019, the guarantee amount for related party bank loan, commercial drafts, letters of credit, etc. is RMB 18,160,168,000.

As at 31 December 2019, 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 2019.

XII Events after balance sheet date

1 The 2019 Final Dividend Plan was approved at the 25th Meeting of the 6th Board of Directors on 28 March 2020. Based on the share capital of 13,000,372,307 shares on 27 March 2020 that are eligible for profit distribution (the total share capital of 13,528,438,719 shares minus the 528,066,412 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 RMB1,300,037,230.70. There will be no bonus issue from capital reserves or profit.

2 On 27 March 2020, according to the Zhong Shi Xie Zhu 【2020】MTN223 Document—Acceptance of Registration issued by the National Association of Financial Market Institutional Investors and the Offering Plan and Commitment Letter of the First Tranche of MTN of 2020 of TCL Technology Group Corporation, the Company completed the offering of the three-year MTN of RMB3 billion, with interest carrying from 27 March 2020 and a coupon rate of 3.60%.

3 Since the COVID-19 outbreak, the Company has taken active measures to fulfil its social responsibilities as a listed company. It protects the life security and health of all employees and fight against the impact of the epidemic on the operating activities. As the manufacturing process of semi-conductor display devices is special, TCL CSOT was carrying out production and operation as scheduled during the Spring Festival.
There is no direct impact on the production or construction of the t1, t2, t6 and t7 factories of TCL CSOT in Shenzhen, and the module factory in Huizhou City. Since the t3 and t4 factories are located in Wuhan City, there was once short-term pressure in terms of work resumption of employees and the supply of certain raw materials. The Company arranged for the return to work of employees in strict compliance with the requirements for prevention and control of the COVID-19, and ensured the normal supply of raw materials through coordination of logistics channels, communication with strategic suppliers, etc.
The Company will continue to keep an eye on the developments of the COVID-19 epidemic, seize integration opportunities in the industry, and solidify the leadership of TCL CSOT in efficiency and earnings. It will increase the market share through efficient production capacity arrangements, and increase the proportions of commercial display, AMOLED and foldable screens with high-added value through improving product and technology capabilities, so as to achieve global leadership in the semi-conductor display industry. As of 28 March 2020, the Company has seen no material adverse impact of the COVID-19 epidemic.

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.

XIII Description of Other Important Matters

(I) Discontinued operations

On January 7, 2019, the major asset restructuring approved at the First Extraordinary General Meeting of 2019: The Company will directly hold 100% equity in TCL Industries Holdings (HK) Limited, 100% equity in Huizhou TCL Household Electric Appliance Group Co., Ltd., 100% equity in TCL Home Appliances (Hefei) Co., Ltd., 55% equity in Huizhou Cool Friends Network Technology Co., Ltd., 100% equity in Koyoo Online Service Co., Ltd., 100% equity in TCL Technology Park Co., Ltd., Getech Ltd. owns 36% of the shares, and through its wholly-owned subsidiary TCL Finance Holdings Group (Guangzhou) Co., Ltd., indirectly holds 75% of the shares of JDH Information Tech (Zhuhai) Co., Ltd., and Huizhou TCL Light Electrical Appliances Co., Ltd., indirectly holds 1.50% of the shares of Huizhou Cool Friends Network Technology Co., Ltd., all sold to TCL Industries Holdings Inc. at a price of RMB 4.76 billion. The Major Asset Restructuring has been completed in April 2019.

	2019	2018	2017
Revenue from discontinued operations	20,167,401	77,791,560	73,830,692
Total profit from discontinued operations	171,147	933,252	(1,207,791)
Income tax expense on discontinued operations	77,436	421,243	345,525
Net profit from discontinued operations	93,710	512,009	(1,553,316)
Add: Net income on disposal of discontinued operations	1,238,377	-	-
Total net profit from discontinued operations	1,332,087	512,009	(1,553,316)

(II) Segment reporting

1 Basis for determining reporting segment and accounting policies

According to the Company's internal organizational structure, management requirements and internal reporting system, the Company's business is divided into three reporting segments: semiconductor display and materials business, distribution business and other business. The Company's management regularly evaluates the operating results of these reporting segments to determine the allocation of resources and evaluate their performance. The Company's three reporting segments are:

(1) Semiconductor display and materials business: mainly includes research and development, manufacturing and sales of semiconductor display panels and semiconductor display modules.

(2) Distribution businesses: mainly includes the sales of computers, software, tablet computers, mobile phones and other electronic products.

(3) Other business: other businesses besides the above, including industrial finance and investment business, technology development services and patent maintenance services provided by the Company, etc.

XIII Description of Other Important Matters (Continued)

(II) Segment reporting (continued)

1 Basis for determining reporting segment and accounting policies (continued)

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

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

2 Segment financial information

	For the 12-month period ended 31 December 2019			
	Semiconductor display and materials business	Distribution business	Others and eliminated intercompany accounts	Total
Operating revenue	33,993,534	20,835,617	20,103,935	74,933,086
Total profit	963,401	285,511	2,806,891	4,055,803
Income Tax Expense	(1,043)	69,907	329,205	398,069
Net profit	964,444	215,604	2,477,686	3,657,734
Total assets	130,582,410	4,520,509	29,741,966	164,844,885
Total liabilities	75,351,193	3,517,629	22,092,919	100,961,741
Other items				
Depreciation and amortization expenses	6,863,247	6,626	1,402,134	8,272,007
Capital expenditure	19,737,178	-	379,032	20,116,210
Net interest expense	232,301	56,871	1,139,943	1,429,115

XIII Description of Other Important Matters (Continued)

(II) Segment reporting (continued)

2 Segment financial information

	For the 12-month period ended 31 December 2018			
	Semiconductor display and materials business	Distribution business	Others	Total
Operating revenue	27,666,368	16,566,993	69,126,715	113,360,076
Total profit	2,600,818	272,614	2,070,948	4,944,380
Income Tax Expense	279,236	76,675	523,271	879,182
Net profit	2,321,582	195,939	1,547,677	4,065,198
Total assets	116,348,578	3,957,923	72,457,442	192,763,943
Total liabilities	68,659,423	3,070,859	60,161,988	131,892,270
Other items				
Depreciation and amortization expenses	5,896,622	5,382	2,068,645	7,970,649
Capital expenditure	30,664,197	-	2,134,167	32,798,364
Net interest expense	161,647	37,312	946,386	1,145,345

	For the 12-month period ended 31 December 2017			
	Semiconductor display and materials business	Distribution business	Others	Total
Operating revenue	30,574,436	15,234,608	65,768,318	111,577,362
Total profit	5,743,823	268,652	(1,222,735)	4,789,740
Income Tax Expense	800,658	65,886	378,494	1,245,038
Net profit	4,943,165	202,766	(1,601,229)	3,544,702
Total assets	89,700,542	2,850,309	67,743,133	160,293,984
Total liabilities	47,607,544	2,096,563	56,446,941	106,151,048
Other items				
Depreciation and amortization expenses	5,830,371	6,724	1,365,773	7,202,868
Capital expenditure	12,363,073	-	3,293,890	15,656,963
Net interest expense	-	39,141	1,204,353	1,243,494

XIV Notes to Financial Statements of the Company as Parent

1 Accounts receivable

	31 December 2019				31 December 2018			
	Amount	Proportion	Bad debt provision	Proportion	Amount	Proportion	Bad debt provision	Proportion
Within 1 year	445,539	100%	449	0.10%	194,959	100%	-	-

	31 December 2017			
	Amount	Proportion	Bad debt provision	Proportion
Within 1 year	340,349	100%	-	-

As of 31 December 2019, there was not such accounts receivable from any shareholder with a 5% or greater voting stock.

2 Other receivables

	31 December 2019	31 December 2018	31 December 2017
Interest receivable	-	212,200	103,343
Dividend receivable	4,211,824	4,211,824	3,458,737
Other receivables	12,917,649	14,349,329	10,078,258
	17,129,473	18,773,353	13,640,338

(a) Other receivables

	31 December 2019	31 December 2018	31 December 2017
Other receivables	12,959,667	14,415,202	10,166,818
Less: bad debt provision	42,018	65,873	88,560
	12,917,649	14,349,329	10,078,258

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

2 Other receivables (continued)

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

	31 December 2019	31 December 2018	31 December 2017
External unit current account	440,600	617,647	99,962
Deposit and security deposit	792	2,304	102
Other	12,476,257	13,729,378	9,978,194
	12,917,649	14,349,329	10,078,258

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

	31 December 2019		31 December 2018		31 December 2017	
	Amount	Proportion	Amount	Proportion	Amount	Proportion
Within 1 year	9,708,317	74.91%	11,333,489	78.62%	8,840,984	86.97%
1 to 2 years	2,080,024	16.05%	2,506,592	17.39%	1,006,354	9.90%
2 to 3 years	940,910	7.26%	316,189	2.19%	110,185	1.08%
More than 3 years	230,416	1.78%	258,932	1.80%	209,295	2.05%
	12,959,667	100.00%	14,415,202	100.00%	10,166,818	100.00%

The outstanding other receivables were mostly current accounts with related parties. As of 31 December 2019, there were no such other receivables from any shareholder with a 5% or greater voting stock.

The top five other receivables of the Company are about RMB 9,544,224,000 (end of 2018: RMB 6,598,913,000; end of 2017: RMB 7,362,890,000), accounting for 73.65% (end of 2018: 45.78%; end of 2017: 72.42%) of the total other receivables of the Company.

3 Available-for-sale financial assets (applicable before 31 December 2018)

	31 December 2018	31 December 2017
Available-for-sale equity instruments - measured at fair value (note)	40,736	79,824
Available-for-sale equity instruments - measured at costs	1,144,694	1,144,694
	1,185,430	1,224,518

Note Available-for-sale equity instruments - measured at fair value

	31 December 2018	31 December 2017
Costs	40,000	40,000
Changes in fair value	736	39,824
	40,736	79,824

4 Long-term equity investments

	31 December 2019			31 December 2018		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Long-term equity investment calculated by equity method	11,863,148	-	11,863,148	9,545,711	-	9,545,711
Among them: Associates (1)	11,850,369	-	11,850,369	9,526,568	-	9,526,568
Joint Ventures (1)	12,779	-	12,779	19,143	-	19,143
Subsidiaries (2)	27,434,124	-	27,434,124	32,257,739	-	32,257,739
	39,297,272	-	39,297,272	41,803,450	-	41,803,450

	31 December 2017		
	Book balance	Provision for impairment	Carrying amount
Long-term equity investment calculated by equity method	8,889,011	-	8,889,011
Among them: Associates (1)	8,866,421	-	8,866,421
Joint Ventures (1)	22,590	-	22,590
Subsidiaries (2)	26,094,554	-	26,094,554
	34,983,565	-	34,983,565

As of 31 December 2019, there are no major restrictions on the realization of investment and the remittance of investment income for long-term equity investment.

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

4 Long-term equity investments (continued)

(1) Joint ventures and associates

	31 December 2018	Increase or decrease investment in the current period	Increase or decrease in current period: Investment gains and losses recognized by equity method	Other comprehensive income adjustments	Changes in other interests	Cash dividends or profits declared	Impairment allowance	Other increases and decreases	31 December 2019
Bank of Shanghai Co., Ltd.	8,363,564	188,813	1,018,493	81,483	-	(245,339)	-	(92,403)	9,314,611
China Innovative Capital Management Limited	-	838,800	39,120	-	-	-	-	-	877,920
LG Electronics(Hui Zhou) INC.	83,902	-	16,881	-	-	(8,200)	-	-	92,583
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	45,034	-	(4,197)	-	-	-	-	-	40,837
TCL Nanyang Electric Appliance (Guangzhou) Co., Ltd.	2,023	-	(207)	-	-	-	-	-	1,816
Huan Tech Co., Ltd.	180,364	-	(2,261)	-	-	-	-	(178,103)	-
Tianjin 712 Communication & Broadcasting Co., Ltd.	704,224	-	65,853			(7,362)		(245)	762,470
Huizhou TCL Taidong Shihua Investment Co., Ltd.	19,143	-	(6,364)	-	-	-	-	-	12,779
Shenzhen Jucai Supply Chain Technology Co., Ltd.	5,158	-	184	-	-	-	-	-	5,342
Shenzhen Tixiang Management Technology Co., Ltd.	2,013	-	65	-	-	-	-	-	2,078
Huizhou TCL Environmental Resource Co., Ltd.	-	71,300	438	-	-	-	-	-	71,738

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

4 Long-term equity investments (continued)

(1) Joint ventures and associates

	31 December 2018	Increase or decrease investment in the current period	Increase or decrease in current period						31 December 2019
			Investment gains and losses recognized by equity method	Other comprehensive income adjustments	Changes in other interests	Cash dividends or profits declared	Impairment allowance	Other increases and decreases	
Guangdong Rongchuang Lingyue Intelligent Manufacturing and Information Technology Industry Equity Investment Fund Partnership (Limited Partnership)	-	375,000	20	-	-	-	-	-	375,020
Guangdong Yuecai Emerging Industry Equity Investment Fund Partnership (Limited Partnership)	-	150,000	(507)	-	-	-	-	-	149,493
Other	140,286	-	22,176	-	-	(6,001)	-	-	156,461
	9,545,711	1,623,913	1,149,694	81,483	-	(266,902)	-	(270,751)	11,863,148

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

4 Long-term equity investments (continued)

(1) Joint ventures and associates

	31 December 2017	Increase or decrease investment in the current period	Increase or decrease in current period						31 December 2018
			Investment gains and losses recognized by equity method	Other comprehensive income adjustments	Changes in other interests	Cash dividends or profits declared	Impairment allowance	Other increases and decreases	
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	-
China Innovative Capital Management 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

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

4 Long-term equity investments (continued)

(1) Joint ventures and associates

	31 December 2017	Increase or decrease in current period							31 December 2018
		Increase or decrease investment in the current period	Investment gains and losses recognized by equity method	Other comprehensive income adjustments	Changes in other interests	Cash dividends or profits declared	Impairment allowance	Other increases and decreases	
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
	8,889,011	(342,568)	931,721	27,863	-	(204,848)	-	244,532	9,545,711

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

4 Long-term equity investments (continued)

(2) Subsidiaries

	Voting right percentage	31 December 2018	Increase in current period	Decrease in current period	31 December 2019
TCL Industries Holdings (HK) Limited	-	1,327,882	-	(1,327,882)	-
TCL China Star Optoelectronics Technology Co., Ltd.	88.82%	21,895,698	268,400	-	22,164,098
Huizhou TCL Household Electric Appliance Group Co., Ltd.	-	448,000	-	(448,000)	-
Huizhou Cool Friends Network Technology Co., Ltd.	-	273,144	-	(273,144)	-
Koyoo Online Service Co., Ltd.	-	25,469	-	(25,469)	-
Techne Corporation	-	37,954	-	(37,954)	-
Xinjiang TCL Equity Investment Co., Ltd	100%	200,000	-	-	200,000
Wuhan TCL Industrial Technology Research Institute, Ltd.	100%	20,000	-	-	20,000
Huizhou TCL Environmental Resource Co., Ltd.	-	273,000	-	(273,000)	-
Highly Information Industry Co., Ltd.	73.69%	107,296	-	-	107,296
TCL Communication Equipment (Huizhou) Co., Ltd.	75.00%	79,500	-	-	79,500
TCL Finance Co., Ltd.	82.00%	1,256,003	-	-	1,256,003
Shenzhen TCL High-Tech Developmen Co., Ltd.	100%	20,000	-	-	20,000
TCL Home Appliances (Hefei) Co., Ltd	-	300,000	-	(300,000)	-
Huizhou TCL Light Electrical Appliances Co., Ltd.	-	70,037	-	(70,037)	-
TCL Culture Media (Shenzhen) Co., Lt	100%	353,414	8,000	-	361,414
TCL Finance Holdings Group (Guangzhou) Co., Ltd.	100%	772,000	-	-	772,000
Guangzhou TCL Internet Microcredit Co., Ltd.	100%	500,000	-	-	500,000
Shenzhen HAWK Internet Co., Ltd.	-	350,000	-	(350,000)	-
Shenzhen Thunderbird Digital Entertainment Technology Co., Ltd.	-	50,000	-	(50,000)	-
TCL Intelligent Industry (Huizhou) Co. Ltd.	-	59,000	-	(59,000)	-
Huizhou Zhongkai TCL Zhirong Technology Microcredit Co., Ltd.	89.84%	405,624	52,370	-	457,994

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

4 Long-term equity investments (continued)

(2) Subsidiaries (continued)

	Voting right percentage	31 December 2018	Increase in current period	Decrease in current period	31 December 2019
Beijing HAWK Cloud Information Technology Co., Ltd.	100%	20,000	-	-	20,000
TCL Technology Park (Huizhou) Co., Ltc	100%	625,324	-	(120,374)	504,950
TCL Technology Park Co., Ltd.	-	2,563,631	-	(2,563,631)	-
Huizhou Sailuote Communication Co., Ltd.	100%	82,500	27,500	-	110,000
TCL Medical Radiological Technology (Beijing) Co., Ltd.	100%	58,497	-	-	58,497
Shenzhen TCL Strategic Equity Investment Fund Partnership (Limited Partnership)	100%	20,000	-	-	20,000
Getech Ltd.	-	36,000	-	(36,000)	-
TCL Industrial Technology Research Institute, Ltd. (Europe)	100%	-	20,000	-	20,000
Peer College Education Technology (Huizhou)	100%	-	5,000	-	5,000
Huizhou Hongsheng Technology Development Co., Ltd.	100%	-	1,000	-	1,000
Ningbo TCL Equity Investment Co., Ltd.	100%	-	300,000	-	300,000
TCL Technology Investments Limited	100%	-	188,293	-	188,293
Beijing Zhiqujia Technology Co., Ltd.	100%	-	257,627	-	257,627
Equity incentives of subsidiaries	-	27,766	322	(17,636)	10,452
		32,257,739	1,128,512	(5,952,127)	27,434,124

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

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

4 Long-term equity investments (continued)

(2) Subsidiaries (continued)

	Voting right percentage	31 December 2017	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 Technology (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 Researcl 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)	-

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

4 Long-term equity investments (continued)

(2) Subsidiaries (continued)

	Voting right percentage	31 December 2017	Increase in current period	Decrease in current period	31 December 2018
Shenzhen TCL Real Estate Co., Ltd.	-	212,958	-	(212,958)	-
Huizhou Taichuang Investment Development Co., Ltd.	-	50,000	-	(50,000)	-
Guangzhou Xitian Technology Information Co., Ltd.	-	15,000	-	(15,000)	-
Guangzhou Yunsheng Tianji Technolog Co., Ltd.	-	150,000	-	(150,000)	-
TCL Culture Media (Shenzhen) Co., Ltc	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
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
		26,094,554	7,186,636	(1,023,451)	32,257,739

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

5 Other equity instrument investment (applicable since 1 January 2019)

	31 December 2019
Non-trading equity instruments	15,000

Item name	Dividend income recognized	Accumulated gains	Accumulated losses	Amount of other comprehensive income transferred to retained earnings	Reasons designated as measured at fair value and whose changes are included in other comprehensive income	Reasons for other comprehensive income transferred to retained earnings
Non-trading equity instruments	-	-	(76)	-	-	-

6 Operating revenue and cost of sales

	2019		2018		2017	
	Operating revenue	Cost of sales	Operating revenue	Cost of sales	Operating revenue	Cost of sales
Core business	1,216,047	1,200,847	1,255,708	1,247,345	1,190,871	1,176,703
Non-core business	514,140	281,499	800,242	607,278	420,638	346,587
	1,730,187	1,482,346	2,055,950	1,854,623	1,611,509	1,523,290

7 Return on investment

	2019	2018	2017
Income from disposal of credit instruments at fair value through profit or loss	177,073	-	-
Income from disposal of equity instruments at fair value through profit or loss	210,848	-	-
Income held by credit instruments at fair value through profit or loss	46,726	-	-
Credit instruments at amortized cost through profit or loss	7,217	-	-
Income held by equity instruments at fair value through profit or loss	17,361	-	-
Income from disposal of wealth management instruments	-	412,800	390,041
Dividends from subsidiaries	257,126	5,384,073	3,675,589
Share of profit of associates for current period	1,156,058	935,168	604,150
Share of profit of joint ventures for current period	(6,364)	(3,447)	(4,278)
Income during period of holding available-for-sale financial assets	-	31,282	21,147
Net income from disposal of long-term investments	(486,501)	366,517	9,862
	1,379,544	7,126,393	4,696,511

As of 31 December 2019, there were no significant restrictions on the collection of the returns on investments.

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

8 Cash flows from operating activities

For 2019, net cash generated from operating activities in the cash flow statement of the Company as the parent was RMB 4,843,106,000.

For 2018, net cash used in operating activities in the cash flow statement of the Company as the parent was RMB 4,899,956,000.

For 2017, net cash used in operating activities in the cash flow statement of the Company as the parent was RMB 157,969,000.

9 Balance of cash and cash equivalents at the end of period

As at 31 December 2019, the balance of cash and cash equivalents of the Company as the parent was RMB 3,941,090,000.

As at 31 December 2018, the balance of cash and cash equivalents of the Company as the parent was RMB 1,328,679,000.

As at 31 December 2017, the balance of cash and cash equivalents of the Company as the parent was RMB 1,106,497,000.

10 Contingent liabilities

As at 31 December 2019, the contingent liabilities not provided for in the financial report are as follows:

	31 December 2019	31 December 2018	31 December 2017
Guarantees for commercial drafts and letters of guarantee of subsidiaries	9,809,585	25,162,875	13,870,451
Guarantees for bank loans of subsidiaries	22,119,613	23,408,535	11,580,724
Guarantees for bank loans, commercial drafts, etc. of related parties	18,160,168	1,112,147	667,610

XV Comparative Data

Certain comparative data have been reclassified to comply with the presentation of the Reporting Period.

XVI Non-Recurring Gains and Losses

	2019	2018	2017
Gain or loss on disposal of non-current assets (inclusive of impairment allowance write-offs)	1,419,021	(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)	1,170,649	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)	186,339	162,729	(207,276)
Non-operating income and expense other than the above	77,286	871,847	504,575
Income tax effects	(165,398)	(191,942)	(310,502)
Non-controlling interests effects	(305,250)	(280,578)	(284,952)
Non-recurring gains and losses attributable to ordinary shareholders of the Company as parent	2,382,647	1,880,816	1,473,747

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).

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

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

(1) 2019

Item	Reporting period Net profit	Weighted average ROE	EPS (RMB yuan)	
			Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders of the Company	2,617,765	9.09%	0.1986	0.1935
Net profit attributable to ordinary shareholders of the Company before non-recurring gains and losses	235,119	0.76%	0.0178	0.0174

(2) 2018

Item	Reporting period Net profit	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

(3) 2017

Item	Reporting period Net profit	Weighted average ROE	EPS (RMB yuan)	
			Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders of the Company	2,664,395	10.86%	0.2178	0.2178
Net profit attributable to ordinary shareholders of the Company before non-recurring gains and losses	1,190,649	4.86%	0.0973	0.0973

TCL Technology Group Corporation

22 May 2020

The financial statements and the notes thereto from page 1 to page 201 are signed by:

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

APPENDIX A — FORM OF IRREVOCABLE STANDBY LETTER OF CREDIT
IRREVOCABLE STANDBY LETTER OF CREDIT

FM: BANK OF CHINA LIMITED, GUANGDONG BRANCH (SWIFT: BKCHCNBJ400)
NO.197 DONG FENG XI LU, GUANGZHOU, GUANGDONG, CHINA

OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. GC3351620000110

ISSUING DATE:

TO: BANK OF CHINA (HONG KONG) TRUSTEES LIMITED
7/F, BANK OF CHINA BUILDING, 2A DES VOEUX ROAD CENTRAL, CENTRAL, HONG KONG

RE: BANK OF CHINA (HONG KONG) TRUSTEES LIMITED, 7/F, BANK OF CHINA BUILDING 2A DES VOEUX ROAD CENTRAL, CENTRAL HONG KONG, (THE "**TRUSTEE**") IN ITS CAPACITY AS TRUSTEE FOR AND ON BEHALF OF THE HOLDERS (THE "**NOTEHOLDERS**") OF THE USD300,000,000 1.875 PER CENT. CREDIT ENHANCED NOTES DUE 2025 (THE "**NOTES**"), TO BE ISSUED BY TCL TECHNOLOGY INVESTMENTS LIMITED WITH REGISTERED OFFICE AT RITTER HOUSE, WICKHAMS CAY II, PO BOX 3170, ROAD TOWN, TORTOLA VG1110, BRITISH VIRGIN ISLANDS (THE "**NOTE ISSUER**") AND TO BE CONSTITUTED BY A TRUST DEED DATED ON 14 JULY 2020 (THE "**NOTE ISSUE DATE**") AMONG THE NOTE ISSUER, TCL TECHNOLOGY GROUP CORPORATION WITH PRINCIPAL OFFICE AT TCL TECH BUILDING, NO. 17 HUIFENG 3RD ROAD, ZHONGKAI HI-TECH DEVELOPMENT DISTRICT, HUIZHOU, GUANGDONG, CHINA (THE "**COMPANY**") AND THE TRUSTEE, AS AMENDED OR SUPPLEMENTED FROM TIME TO TIME (THE "**TRUST DEED**").

DEAR SIRS,

RE:

WE, BANK OF CHINA LIMITED, GUANGDONG BRANCH (THE "**ISSUING BANK**", "**OUR**", "**US**" OR "**WE**"), HEREBY ISSUE OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. GC3351620000110 IN YOUR FAVOUR, AND FOR THE ACCOUNT OF THE NOTE ISSUER IN RESPECT OF AND IN CONNECTION WITH THE TERMS AND CONDITIONS OF THE NOTES APPENDED TO THE TRUST DEED (THE "**CONDITIONS**") AND THE TRUST DEED AND SUBJECT TO THE TERMS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT. THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS MADE AVAILABLE BY US FOR PAYMENT AGAINST OUR RECEIPT OF A DEMAND SUBSTANTIALLY IN THE FORM SET OUT IN APPENDIX A-1 PRESENTED IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT (A "**DEMAND**") STATING THAT (A) THE NOTE ISSUER HAS FAILED TO COMPLY WITH THE CONDITION IN RELATION TO PRE-FUNDING SPECIFIED IN THE CONDITIONS (THE "**PRE-FUNDING CONDITION**") FOR AN AMOUNT THAT IS REQUIRED TO BE PRE-FUNDED UNDER THE CONDITIONS AND/OR FAILED TO

PROVIDE THE REQUIRED CONFIRMATIONS IN ACCORDANCE WITH THE PRE-FUNDING CONDITION OR (B) AN EVENT OF DEFAULT (AS DEFINED IN THE CONDITIONS) HAS OCCURRED AND THE TRUSTEE HAS GIVEN NOTICE TO THE NOTE ISSUER IN ACCORDANCE WITH THE CONDITIONS THAT THE NOTES ARE IMMEDIATELY DUE AND PAYABLE IN ACCORDANCE WITH THE CONDITIONS OR (C) THE NOTE ISSUER HAS FAILED TO PAY THE FEES AND EXPENSES IT IS OBLIGED TO PAY UNDER THE CONDITIONS OR THE TRUST DEED WHEN DUE AND SUCH FAILURE HAS CONTINUED FOR A PERIOD OF SEVEN DAYS FROM THE DATE OF THE TRUSTEE DELIVERING ITS DEMAND THEREFOR TO THE NOTE ISSUER IN ACCORDANCE WITH THE CONDITIONS.

SUBJECT TO THE TERMS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT, WE UNCONDITIONALLY AND IRREVOCABLY UNDERTAKE TO YOU THAT, ON AND AFTER THE NOTE ISSUE DATE AND FOLLOWING RECEIPT BY US OF A DEMAND BY 5:00 P.M. (BEIJING TIME) PRESENTED BY YOU IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT ON A BUSINESS DAY ON OR AFTER THE NOTE ISSUE DATE AND ON OR BEFORE THE EXPIRY DATE (AS DEFINED BELOW), WE SHALL BY 11:00 A.M. (BEIJING TIME) ON THE FOURTH BUSINESS DAY, (IF A DEMAND IS RECEIVED, AFTER 5:00 P.M. (BEIJING TIME) ON A BUSINESS DAY, THE FIFTH BUSINESS DAY) IMMEDIATELY FOLLOWING RECEIPT OF SUCH DEMAND PAY TO OR TO THE ORDER OF THE TRUSTEE THE AMOUNT IN U.S. DOLLARS SPECIFIED IN THE DEMAND TO THE ACCOUNT SPECIFIED IN THE DEMAND. "**BUSINESS DAY**" MEANS A DAY (OTHER THAN A SATURDAY OR A SUNDAY OR A PUBLIC HOLIDAY) ON WHICH BANKS AND FOREIGN EXCHANGE MARKETS ARE OPEN FOR BUSINESS IN BEIJING, NEW YORK AND HONG KONG.

OUR LIABILITY UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT SHALL BE EXPRESSED AND PAYABLE IN U.S. DOLLARS AND SHALL NOT EXCEED USD329,125,000 (US DOLLARS THREE HUNDRED AND TWENTY NINE MILLION AND ONE HUNDRED AND TWENTY FIVE THOUSAND ONLY) IN AGGREGATE (THE "**MAXIMUM LIMIT**").

THIS IRREVOCABLE STANDBY LETTER OF CREDIT TAKES EFFECT FROM THE NOTE ISSUE DATE AND SHALL REMAIN VALID AND IN FULL FORCE UNTIL 5:00 P.M. (BEIJING TIME) ON 14 AUGUST 2025 (THE "**EXPIRY DATE**"), AND SHALL EXPIRE AT THE PLACE OF THE ISSUING BANK, WHEN ALL OUR OBLIGATIONS UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT WILL CEASE WITH NO FURTHER LIABILITY ON OUR PART EXCEPT FOR ANY DEMAND VALIDLY PRESENTED UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT BEFORE THE EXPIRY DATE THAT REMAINS UNPAID.

ANY DEMAND UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT MUST BE PRESENTED BY WAY OF AN AUTHENTICATED SWIFT PRESENTED BY OR ON BEHALF OF YOU AS TRUSTEE TO US (SWIFT: BKCHCNBJ400) THROUGH BANK OF CHINA (HONG KONG) LIMITED WITHOUT THE NEED TO PHYSICALLY PRESENT AN ORIGINAL OF THAT DEMAND AT OUR COUNTER; PROVIDED THAT IN THE EVENT THAT THE SWIFT SYSTEM IS NOT AVAILABLE FOR ANY REASON, YOU (THE TRUSTEE) MAY INSTEAD ARRANGE FOR A DEMAND TO BE PHYSICALLY PRESENTED AT OUR COUNTER AT OUR

ADDRESS (AS SPECIFIED ABOVE) ON OR AFTER THE NOTE ISSUE DATE AND ON OR BEFORE THE EXPIRY DATE AND SUCH PHYSICALLY PRESENTED DEMAND SHALL BE SIGNED BY YOU AS TRUSTEE AND ACCOMPANIED BY A COPY OF A LIST OF AUTHORISED SIGNATORIES OF THE TRUSTEE, TOGETHER WITH A STATEMENT THAT THE LIST OF AUTHORISED SIGNATORIES PROVIDED IS VALID AND EFFECTIVE.

MULTIPLE AND PARTIAL DRAWINGS UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT ARE PERMITTED, AND EACH SUCH DRAWING SHALL REDUCE THE TOTAL AMOUNT AVAILABLE FOR DRAWING UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT BY AN AMOUNT EQUAL TO SUCH DRAWING.

ALL CHARGES ARE FOR THE ACCOUNT OF THE NOTE ISSUER AND, FOR THE AVOIDANCE OF DOUBT, ARE NOT FOR THE ACCOUNT OF THE TRUSTEE.

NOTWITHSTANDING THE MAXIMUM LIMIT, ALL PAYMENTS UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT SHALL BE MADE IN U.S. DOLLARS AND FOR VALUE ON THE DATE SPECIFIED IN THE DEMAND IN IMMEDIATELY AVAILABLE FUNDS WITHOUT ANY DEDUCTION ON ACCOUNT OF TAX, SET-OFF OR OTHERWISE, UNLESS AND TO THE EXTENT THAT ANY DEDUCTION OR WITHHOLDING IS REQUIRED BY LAW, IN WHICH CASE, THE ISSUING BANK SHALL PAY SUCH ADDITIONAL AMOUNTS AS WILL RESULT IN RECEIPT BY THE TRUSTEE OF SUCH AMOUNTS AS WOULD HAVE BEEN RECEIVED BY IT HAD NO SUCH DEDUCTION OR WITHHOLDING BEEN REQUIRED BY LAW.

THE BENEFICIARY'S (OR FUTURE BENEFICIARY'S) RIGHTS UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT MAY BE TRANSFERRED IN WHOLE OR IN PART TO ANY ADDITIONAL OR REPLACEMENT TRUSTEE IN RESPECT OF THE NOTES SUBJECT ONLY TO AT LEAST FIVE BUSINESS DAYS' NOTICE HAVING BEEN GIVEN TO US BY OR ON BEHALF OF YOU AS TRUSTEE OF THE NOTES BY AUTHENTICATED SWIFT, OR IN THE EVENT THAT THE SWIFT SYSTEM IS NOT AVAILABLE FOR ANY REASON BY LETTER TO US AT OUR ADDRESS (AS SPECIFIED ABOVE) STATING THE NAME OF TRANSFEREE, AND ACKNOWLEDGED BY US. WE MAY NOT TRANSFER OR NOVATE ANY OF OUR OBLIGATIONS UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT.

NOTWITHSTANDING THE FOREGOING PROVISIONS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT, IN THE UNEXPECTED EVENT THAT OUR BANK OF CHINA LIMITED, GUANGDONG BRANCH IS CLOSED WHEN YOU WISH TO PRESENT A DEMAND HEREUNDER ON THE DAY AND AT THE TIME A DEMAND IS PERMITTED TO BE PRESENTED IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT, WE AGREE THAT YOU CAN PRESENT THE DEMAND BY AUTHENTICATED SWIFT OR BY PRESENTING THE DEMAND IN PERSON AT OUR ADDRESS (AS SPECIFIED ABOVE) FROM THE DATE OF OUR RESUMPTION OF OUR BUSINESS; PROVIDED THAT

IF OUR BANK OF CHINA LIMITED, GUANGDONG BRANCH IS CLOSED ON THE EXPIRY DATE, SUCH PRESENTATION SHALL BE MADE WITHIN FOURTH BUSINESS DAYS AFTER THE DATE OF OUR RESUMPTION OF OUR BUSINESS.

IF ANY PAYMENT BY THE NOTE ISSUER OR ANY OTHER PERSON ON THE NOTE ISSUER'S BEHALF IS AVOIDED (BY VIRTUE OF ANY LAWS RELATING TO BANKRUPTCY, INSOLVENCY, LIQUIDATION OR SIMILAR LAWS OF GENERAL APPLICATION FOR THE TIME BEING IN FORCE), YOU SHALL BE ENTITLED TO RECOVER FROM US THE AMOUNT BY WHICH SUCH PAYMENT IS SO AVOIDED BY GIVING US A NOTICE IN WRITING ON OR BEFORE 5:00 P.M. ON THE EXPIRY DATE. WE SHALL ACCEPT SUCH NOTICE AS CONCLUSIVE EVIDENCE OF THE FACT THAT PAYMENT BY THE NOTE ISSUER HAS BEEN AVOIDED WITHOUT PROOF OF SUCH PAYMENT BEING AVOIDED.

EXCEPT TO THE EXTENT IT IS INCONSISTENT WITH THE EXPRESS TERMS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT, THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS SUBJECT TO THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS (2007 REVISION), INTERNATIONAL CHAMBER OF COMMERCE PUBLICATION NO. 600 ("**UCP600**").

THIS IRREVOCABLE STANDBY LETTER OF CREDIT AND ANY NON-CONTRACTUAL OBLIGATIONS ARISING OUT OF OR IN CONNECTION THEREWITH ARE GOVERNED BY, AND SHALL BE CONSTRUED IN ACCORDANCE WITH, ENGLISH LAW. NO RIGHTS ARE CONFERRED ON ANY PERSON UNDER THE CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999 TO ENFORCE ANY TERM OF THE NOTE, BUT THIS DOES NOT AFFECT ANY RIGHT OR REMEDY OR ANY PERSON WHICH EXISTS OR IS AVAILABLE APART FROM THAT ACT. WE AGREE (A) THE COURTS OF HONG KONG ARE TO HAVE EXCLUSIVE JURISDICTION TO SETTLE ANY DISPUTES, CLAIMS, DIFFERENCE OR CONTROVERSY THAT MAY ARISE OUT OF, IN RELATION TO OR IN CONNECTION WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT, INCLUDING ANY DISPUTE AS TO THEIR EXISTENCE, VALIDITY, INTERPRETATION, PERFORMANCE, BREACH OR TERMINATION OR THE CONSEQUENCES OF THEIR NULLITY AND ANY DISPUTE RELATING TO ANY NON-CONTRACTUAL OBLIGATIONS ARISING OUT OF OR IN CONNECTION WITH THEM (A "**DISPUTE**") AND ACCORDINGLY ANY LEGAL ACTION OR PROCEEDINGS ARISING OUT OF OR IN CONNECTION WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT (THE "**PROCEEDINGS**") MAY BE BROUGHT IN SUCH COURTS, AND (B) IN RELATION TO ANY DISPUTE, TO SUBMIT TO THE EXCLUSIVE JURISDICTION OF THE COURTS OF HONG KONG AND WAIVE ANY OBJECTION TO PROCEEDINGS IN SUCH COURTS ON THE GROUND OF VENUE OR ON THE GROUND THAT THE PROCEEDINGS HAVE BEEN BROUGHT IN AN INCONVENIENT OR INAPPROPRIATE FORUM TO SETTLE ANY DISPUTE.

APPENDIX A-1
FORM OF DEMAND

To: BANK OF CHINA LIMITED, GUANGDONG BRANCH (SWIFT: BKCHCNBJ400)

NO.197 DONG FENG XI LU, GUANGZHOU, GUANGDONG, CHINA
FACSIMILE: +86 020-83363822

[DATE]

Dear Sirs

RE: DEMAND UNDER THE IRREVOCABLE STANDBY LETTER OF CREDIT NO. GC3351620000110 IN RESPECT OF THE USD300,000,000 1.875 PER CENT. CREDIT ENHANCED NOTES DUE 2025 (THE "**NOTES**") ISSUED BY TCL TECHNOLOGY INVESTMENTS LIMITED (THE "**NOTE ISSUER**") WHERE SUCH NOTES ARE CONSTITUTED BY A TRUST DEED DATED 14 JULY 2020 ENTERED INTO BETWEEN THE NOTE ISSUER, TCL TECHNOLOGY GROUP CORPORATION (WITH PRINCIPAL OFFICE AT TCL TECH BUILDING, NO.17 HUIFENG 3RD ROAD, ZHONGKAI HI-TECH DEVELOPMENT DISTRICT, HUIZHOU, GUANGDONG, CHINA) AND BANK OF CHINA (HONG KONG) TRUSTEES LIMITED AS TRUSTEE FOR THE NOTES (THE "**TRUSTEE**") (THE "**TRUST DEED**").

The undersigned is a duly authorised signatory of Bank of China (Hong Kong) Trustees Limited which is hereby making a demand on behalf of the Trustee under your Irrevocable Standby Letter of Credit No. GC3351620000110 (the "**Irrevocable Standby Letter of Credit**"). Capitalised terms used herein but not defined shall have the meanings given to them in the Irrevocable Standby Letter of Credit.

1. This Demand is made in connection with the following:[1]

   ☐ The Note Issuer has failed to comply with the condition in relation to pre-funding specified in the Conditions (the "**Pre-Funding Condition**") for an amount that is required to be pre-funded under the Conditions and/or failed to provide the required confirmations in accordance with the Pre-Funding Condition, or

   ☐ An Event of Default (as defined in the Conditions) has occurred and the Trustee has given notice to the Note Issuer in accordance with the Conditions that the Notes are immediately due and payable in accordance with the Conditions, or

[1] Trustee to check appropriate box and complete details in brackets.

☐ The Note Issuer has failed to pay the fees and expenses it is obliged to pay under the Conditions or the Trust Deed when due and such failure has continued for a period of seven days from the date of the Trustee delivering its demand therefor to the Note Issuer in accordance with the Conditions.

2. We hereby certify that as a result of the relevant event specified in paragraph 1 above the amount specified below is due and payable to us as Trustee and accordingly we hereby demand you to pay to us:

☐ USD [AMOUNT] of interest due in respect of the outstanding Notes on [DATE] (the "**Due Date**"), which has not been pre-funded in accordance with the Conditions.

☐ USD [AMOUNT] of principal (together with accrued but unpaid interest) due in respect of the outstanding Notes on [DATE] (the "**Due Date**"), which has not been pre-funded in accordance with the Conditions.

☐ USD [AMOUNT] of principal due in respect of the outstanding Notes, together with accrued interest up to [DATE] (the "**Cut-off Date**") as a result of the Notes having become immediately due and payable in accordance with the Conditions.

☐ USD [AMOUNT] of the fees and expenses in connection with the Conditions or the Trust Deed which is due and has not been paid for a period of seven days from the date of the Trustee delivering its demand therefor to the Note Issuer.

3. We hereby request you to pay the above amounts after you receive this Demand in accordance with the terms of the Irrevocable Standby Letter of Credit.

4. The proceeds of the drawing under this Demand are to be credited to the following account: [ACCOUNT DETAILS]

5. We hereby attach a copy of a list of authorised signatories of Bank of China (Hong Kong) Trustees Limited, together with a statement that the list of authorised signatories provided is valid and effective.

BANK OF CHINA (HONG KONG) TRUSTEES LIMITED as Beneficiary and Trustee

By: ______________________________

Name:

Title:

ISSUER

TCL Technology Investments limited
Ritter House, Wickhams Cay II, PO Box 3170
Road Town, Tortola VG1110
British Virgin Islands

COMPANY

TCL Technology Group Corporation
TCL Tech Building, 17 Huifeng Third Road
Zhongkai Hi-Tech Development District
Huizhou City, Guangdong Province, China

TRUSTEE

Bank of China (Hong Kong) Trustees Limited
7/F Bank of China Building
2A Des Voeux Road Central
Hong Kong

PRINCIPAL PAYING AGENT, TRANSFER AGENT AND REGISTRAR

Bank of China (Hong Kong) Limited
7/F Bank of China Building
2A Des Voeux Road Central
Hong Kong

PRE-FUNDING ACCOUNT BANK AND LC PROCEEDS ACCOUNT BANK

Bank of China (Hong Kong) Limited
7/F Bank of China Building
2A Des Voeux Road Central
Hong Kong

LEGAL ADVISERS TO THE ISSUER AND THE COMPANY

As to English law

Fangda Partners
26/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

As to PRC law

Fangda Partners
17/F, Tower One
Kerry Plaza,
1 Zhong Xin Si Road
Futian District,
Shenzhen 518048
China

As to British Virgin Islands law

Ogier
11th Floor, Central Tower
28 Queen's Road Central
Central
Hong Kong

LEGAL ADVISORS TO THE JOINT LEAD MANAGERS

As to English law

Allen & Overy
9th Floor
Three Exchange Square
Central
Hong Kong

As to PRC law

Jingtian & Gongcheng
34th Floor, Tower 3
China Central Place, 77 Jianguo Road
Chaoyang District, Beijing 100025
China

LEGAL ADVISORS TO THE TRUSTEE

As to English law

Allen & Overy
50 Collyer Quay
09-01 OUE Bayfront
Singapore 049321

AUDITOR OF THE COMPANY

Da Hua Certified Public Accountants (Special General Partnership)
12/F, 7th Building No.16, Middle of the West 4th Ring Rd
Haidian District, Beijing, P. R. China