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**About  
TCL Industries**

## About TCL Industries

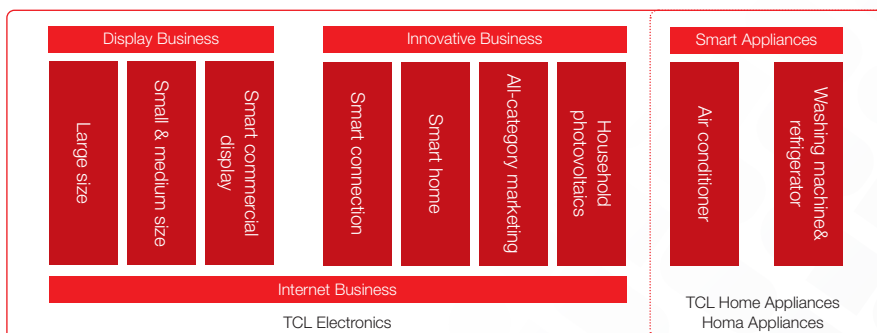
Founded in 2018, TCL Industries completed its asset restructuring in April 2019 and officially changed its name to “TCL Industries Holdings Co., Ltd.”. It was initially known as TTK Home Appliances (Huizhou) Co., Ltd., one of the first 13 joint ventures in China.

As one of the three major segments of TCL, TCL Industries focuses on the smart device business, primarily covering all categories of smart consumer electronic products and services, e.g., display, smart connection, white goods and home internet, while vigorously developing other businesses such as environmental protection, industrial park operation, and smart manufacturing.

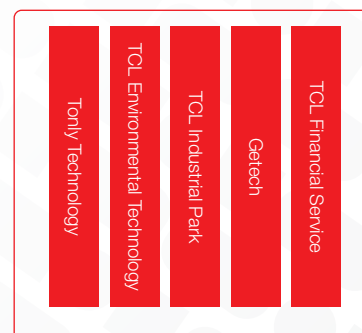
TCL Industries has been expanding its presence in the international markets, with a robust global supply chain system. Supported by over 50,000 employees in Asia, America, Europe and Oceania, as well as R&D institutions worldwide and sales outlets in over 80 countries and regions, the Company has extended its businesses to more than 160 countries and regions and operates brands including TCL, XESS, LEINIAO, ROWA, FFALCON, ALCATEL, HOMA, and TONLY.

TCL Industries promotes technologies to facilitate industry advances, and provides global users with an all-scenario smart and healthy life through a wide range of product scenarios such as smart home, smart mobile and smart commercial display. It is striving to become a world leader in smart technology.

### Smart Device Business Group



### Others



**2021**

**Business Highlights**



# Business Highlights in 2021

## Availability of Display Everywhere

The Company focuses on smart display and fully leverages its display technology advantages to visually create smart consumer electronic products in all categories. Through product categories such as large-sized display, small and medium-sized display, and smart commercial display, the Company enriched various application scenarios such as home theater, gaming, education, and fitness, providing smart and healthy life for users in over 160 countries and regions.

TCL Industries paid close attention to the technological changes in the industry and reinforced its global leadership in smart and technological large-sized display. As the Company stayed at the leading edge of Mini LED, its sales volume of mid-to-high-end smart screen increased significantly. In particular, the sales volume of QLED smart screen and Mini LED smart screen grew by 53.8% and 50.5% respectively year-on-year, and the global market share of TCL smart screens further rose to 11.5% in 2021, ranking 3<sup>rd</sup> worldwide<sup>1</sup>.



The sales volume of QLED smart screen up YoY

53.8%



The sales volume of Mini LED smart screen up YoY

50.5%



TCL smart screen's 2021 global market share up to 11.5%, ranked

3<sup>rd</sup>

## Mini LED Smart Screen Awards



"2021 Display Industry Award" from the Society for Information Display (SID)

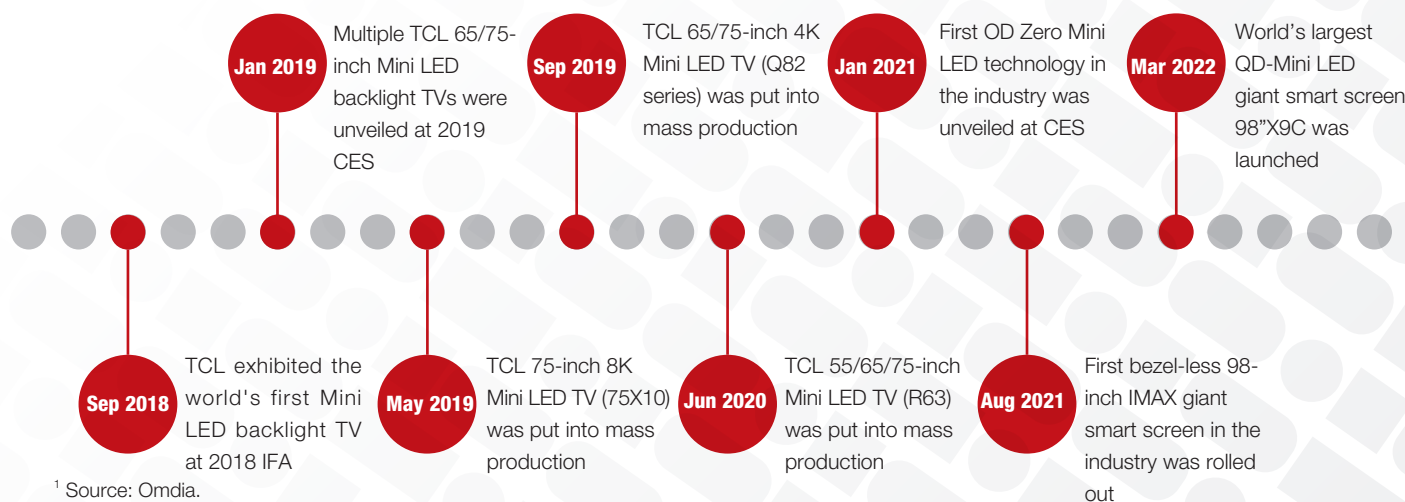


TCL Mini LED 4K Smart Screen C825 was awarded "Premium LCD TV 2021-2022"; TCL QLED 4K Smart Screen C728 received "Best Buy LCD TV 2021 - 2022" from Expert Imaging and Sound Association (EISA)



TCL OD Zero Mini LED 8K Smart Screen won the 2022 "Best of Innovation Award" at International Consumer Electronics Show (CES)

## Development History of TCL Mini LED



<sup>1</sup> Source: Omdia.

## Possibility of Universal Connection

The Company advanced its all-category intelligent IoT ecosystem as the market was further segmented. Also, its innovation strategy was pushed forward, guiding the development of new products in line with changing application scenarios to create a smarter living experience for consumers. In 2021, TCL Industries launched an array of smart products such as soundbars, robot vacuum cleaners, air purifiers, AR/XR smart glasses, and educational tablets, and TCL was included in the “2021-2022 Top 15 Global Smart Connected Device Brands” by Global Top Brands.

The Company has been actively developing home Internet in a bid to provide users with all-scenario products and services for multi-screen, real-time interaction and smart sensing. It introduced new scenarios, new contents and new services to the platform, developing new areas such as children’s business and large-screen education, while exploring vertical contents such as cloud gaming and short videos. Meanwhile, it continued to deepen its close cooperation with Internet giants such as Roku, Google, and Netflix, and expanded the room for future growth of Internet business in international markets.

Based on 5G, AI, IoT, big data and cloud services, the Company fully facilitates intelligent category interconnection. Through IoT and cloud platform services, it enabled connection, interaction, intelligent platform building and scenario implementation. It consolidated the foundation of IoT platform with technology, employed data application platform to integrate the whole chain data, and activated AI voice interaction and visual image application centered on the application scenario to enhance smart scenario service. In 2021, the IoT cloud platform established access to 38 product categories, and the access to connected smart hardware devices other than smartphones and TVs expanded by 75% year-on-year.

## Channel Presence across the Globe

Leveraging its global brand power and channel advantages, TCL Industries accelerated the promotion of the all-category intelligent IoT ecosystem in global markets. It continued to deepen the application of channels in key countries and reinforce its global leadership. The market share of TCL smart screen ranked among the top 5 in 20 countries and regions, and the market share in over 20 countries rose year-on-year<sup>2</sup>. At the same time, the market share of smart Android tablet ranked 4<sup>th</sup> in the world, mobile phones ranked 3<sup>rd</sup> and 4<sup>th</sup> in Canada and the United States respectively<sup>3</sup>, and TCL mobile router shipment ranked 3<sup>rd</sup> worldwide<sup>4</sup>.

The Company established horizontal connectivity of all product categories across channels, supported by vertical end-to-end integration for smooth global operations and agile delivery. TCL Industries has manufacturing bases in many countries and regions, with collaboration upstream and downstream businesses, a global supply chain ecosystem and enhanced demand management, which enable an annual production capacity of over 30 million units of smart screens and over 25 million units of air conditioners, refrigerators and washing machines. In particular, the Company continued to deepen cooperation with COSCO and Maersk to enhance delivery efficiency in quick response to market changes.

<sup>2</sup> Source: Omdia, NPD, IDC.

<sup>3</sup> Source: IDC.

<sup>4</sup> Source: TSR.



Global Top Brands awarded

“2021-2022 Top 15  
Global Smart Connected  
Device Brands”



Categories connected to IoT cloud platform in 2021

38



Connected smart hardware devices up YoY

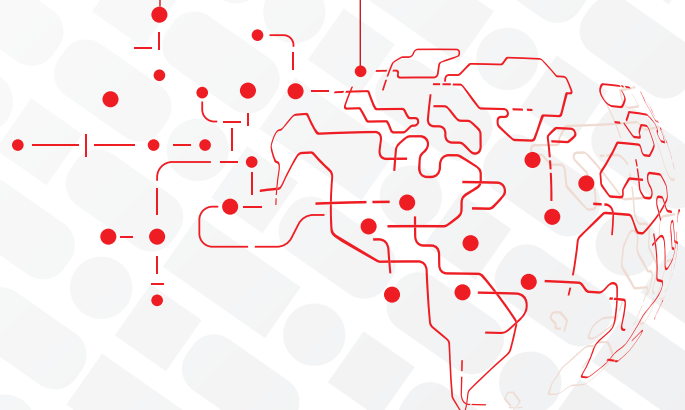
75%

Annual production of smart screens over

30 million  
units

Annual production of AC, refrigerators  
and washing machines over

25 million  
units





# Financial Highlights

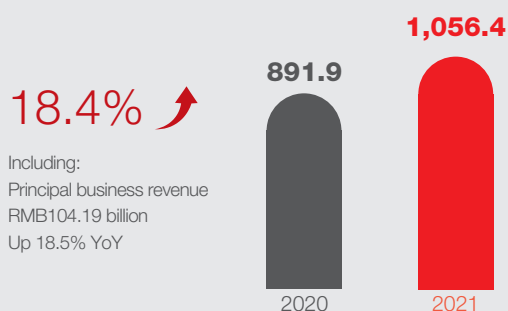


## Financial Highlights

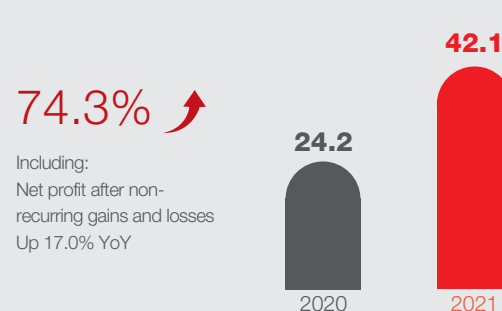
Unit: RMB1,000

	2021	2020	Change (%)
Revenue	105,641,242	89,191,252	18.44
Net profit	4,214,500	2,418,431	74.27
Net profit after non-recurring gains and losses	1,628,313	1,392,010	16.98
Net profit attributable to owners of the parent company	1,951,575	1,217,883	60.24
Net profit attributable to the company's shareholders after non-recurring gains and losses	498,418	534,982	-6.83
Basic earnings per share (RMB/share)	0.3026	0.1888	60.26
Weighted average return on equity (%)	31.15	21.32	46.12
Total assets	96,376,257	79,657,067	20.99
Total liabilities	78,867,075	64,323,547	22.61
Liabilities to assets ratio (%)	81.8	80.8	1.1
Total owner's equity	17,509,182	15,333,520	14.19
Owner's equity attributable to the company's shareholders	6,064,917	6,463,883	-6.17
Net asset per share attributable to the company's shareholders (RMB/share)	0.9403	1.0022	-6.17

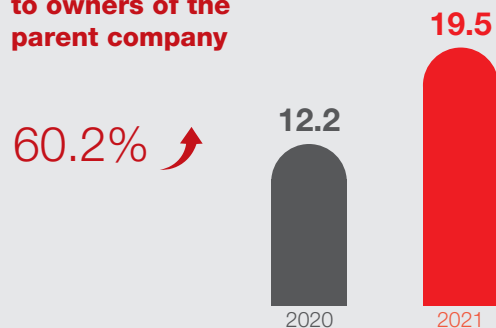
### Revenue (RMB100 million)



### Net profit (RMB100 million)



### Net profit attributable to owners of the parent company (RMB100 million)



### Basic earnings per share (RMB)



# Management Discussion and Analysis

- Vision and Strategy
- Business Review in 2021
- Capital Operation and Review
- Research and Innovation
- Risk Factors

# Management Discussion and Analysis

## Vision and Strategy

The era of digitization and intelligentization has brought radical changes to people's lives, which are fueled by consumption upgrade and the trend of globalization to penetrate every aspect of life, presenting more growth opportunities to companies. Keeping abreast of new trends in this era, TCL Industries adheres to the strategies of "Globalization" and "Technological Transformation" and works towards the three visions of "Availability of Display Everywhere, Possibility of Universal Connection, and Channel Presence Across the Globe", so as to offer global users smart living experiences across "All Scenarios, All Categories and Inter-connectivity". TCL Industries vigorously expands the all-category "intelligent IoT ecosystem", with a focus on smart displays. It places emphasis on mid-to-high-end and international markets, and forays into more innovative business sectors, with an aim to become a world leader in smart technology.

### Availability of Display Everywhere

Many daily life activities, such as watching movies/TV shows, accessing sports/educational resources or information, rely on displays. TCL Industries provides consumers with all-scenario smart and healthy living services centered on smart display, and seeks to better boost the industry with leading display technology.

As future display will be "large-sized, all-scenario". TCL Industries will work to meet consumer requirements regarding picture quality through high-end display technologies such as Mini LED, QLED, and 8K. In the meanwhile, we will continue to explore and improve product algorithms and applications in relation to the two technology modules of image and display, to further enhance the core competitiveness of products, actively adjust the product mix, and achieve breakthroughs in the mid-to-high-end market.

In addition, the Company will step up efforts to develop small and medium-sized displays for smartphones and tablets, as well as such categories as smart commercial displays, to bring into full play TCL Industries' competitive edge in display technology, diversify and improve the display product mix, and create a large space for future growth.

### Possibility of Universal Connection

Smart products need to be connectable, whether for houses or businesses. TCL Industries will seize every opportunity of digitization and intelligentization brought by the development of cutting-edge technologies such as AI and IoT, and keep intensifying efforts in implementing the all-scenario smart and healthy living strategy. We will expand the three smart scenarios of smart home, mobile service and smart commercial display, create "All-scenario, All-category and Inter-connected" smart living services for users, and promote the all-category "intelligent IoT ecosystem".

TCL Industries will further increase R&D investment in IoT and cloud service platform. Through IoT synergy, it will enrich forms of interaction and scenario services will be enriched. And we will not only build universal product platform capabilities to explore and develop active smart services, but also create industry-leading smart display scenarios to provide innovative scenario solutions for multi-form interaction.

Furthermore, TCL Industries has expanded IoE from the consumer field to the industrial field, seizing the opportunity arising from industrial connectivity to develop technologies for digital and smart manufacturing. Going forward, the Company will ramp up the application of 5G, AI, big data and other

next-generation information technologies and improve the industrial Internet platform. It will focus on empowering the three key sectors, i.e. 3C electronics, pan-semiconductor, and new energy, to establish technology leadership with a product system of "platform + industrial software", helping enterprises reinforce their competitive advantages in high-end manufacturing.

### Channel Presence across the Globe

Connectivity brings the world together, and globalization keeps the world closer. Capitalizing on the competition and opportunities arising out of globalization, TCL Industries will constantly expand its overseas presence, step up efforts to develop marketing channels in key countries, continue to raise global market share and brand awareness of each product category, and actively ramp up all-category marketing.

Meanwhile, relying on its unique vertically integrated industrial chain, the Company will further deepen its global supply chain and build a prosperous business ecosystem with global partners.

### Building a Green Future

Green practices and carbon neutrality represent a safety net for sustainable growth. TCL Industries will continue to focus on resource recycling and utilization as well as comprehensive environmental services. It will highlight the layout of retired power battery utilization, comprehensive utilization of fully quantified aluminum ash resources, comprehensive solvent utilization, and WEEE ecosystem, creating new growth drivers in the fields of smart environmental protection and carbon peak and neutrality.

In response to China's efforts to achieve carbon peak and neutrality goals, TCL Industries will seize the window period of national carbon neutrality strategy and cooperate with the silicon wafer giant – Zhonghuan Semiconductor. The Company will leverage its lower-tier channels to develop household PV, achieve emission reduction and foster society-wide green, low-carbon and environmental development.

TCL Industries will focus on the three core competitive edges of "Display, Connection, and Channel". In particular, it will give full play to its advantages of extensive global channel resources and unique vertical integration of the industrial chain, while prioritizing and increasing investments in R&D and innovation to spur industry advances with technologies. It will support and actively explore innovative businesses while expanding into new sectors to bring a smarter future to consumers and enterprises.

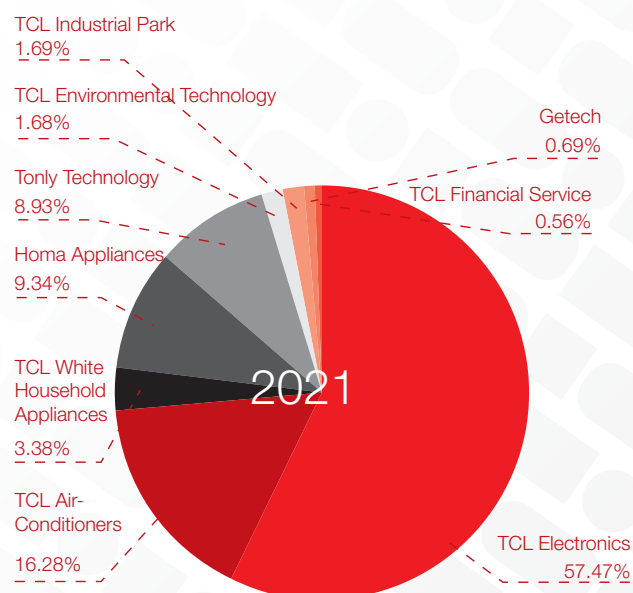
## Business Review in 2021

In 2021, the global economy continued to recover amidst an increasingly complex global political and economic landscape, with uncertainties on the rise. Moreover, large fluctuations occurred in the prices of both upstream raw materials and international logistics, making the business environment extremely challenging. With the accelerated industry-wide intelligentization and technological transformation, TCL Industries has fully embraced all the changes and innovations, focusing on smart device business, developing the all-category “intelligent IoT ecosystem”, and building scenario-based solutions and improving comprehensive product experiences under the user-centered principle. The Company recorded RMB105.64 billion in revenue, up 18.4% year-on-year, RMB4.21 billion in net profit, up 74.3% year-on-year, and RMB1.95 billion in net profit attributable to equity holders of the parent company, up 60.2% year-on-year.

### Principal Business Revenue by Business Unit

(RMB100 Million)

RMB100 Million	2021	2020	YoY Change
TCL Electronics	620.7	452.5	37.2%
TCL Air-Conditioners	175.8	149	18.0%
TCL White Household Appliances	36.5	27.4	33.0%
Homa Appliances <sup>5</sup>	100.9	83.3	21.2%
Tonly Technology	96.5	87.2	10.7%
TCL Environmental Technology	18.1	13.9	30.2%
TCL Industrial Park	18.2	5.5	229.8%
Getech	7.4	5.3	40.0%
TCL Financial Service <sup>6</sup>	6.0	4.1	44.7%



<sup>5</sup> It has been included in TCL Industries' consolidated statements since May 2021. To better reflect the growth rate, the revenue for 2021 is a full year figure.

<sup>6</sup> It has been included in TCL Industries' consolidated statements since June 2021. To better reflect the growth rate, the revenue for 2021 is a full year figure.

**PRC market:** TCL Industries focused on shaping its image as a consistent smart technology leader across all product categories, built four core business capabilities of smart devices, and advanced the strategic development of all-scenario smart living services. It recorded RMB34.3 billion in sales revenue in 2021, up 16.3% year-on-year.

**International markets:** TCL Industries has established a robust global industrial chain and supply chain capability. The market share of the large-sized display business further increased in Europe, North America and emerging markets. The Company generated RMB69.89 billion in sales revenue in 2021, up 19.6% year-on-year.



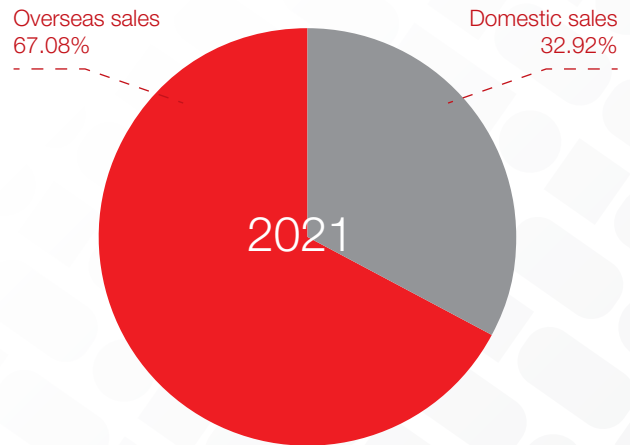
Annual domestic sales revenue  
**RMB34.3 billion**  
 Up 16.3% YoY



Annual overseas sales revenue  
**RMB69.89 billion**  
 Up 19.6% YoY

Principal Business Revenue by Domestic and Overseas Sales  
 (RMB100 Million)

RMB100 Million	2021	2020	YoY Change
Domestic sales	343	294.9	16.3%
Overseas sales	698.9	584.4	19.6%
Total	1,041.9	879.3	18.5%



## TCL Electronics

In 2021, TCL Electronics followed the strategy of “Value Led by Brand with Relative Cost Advantage”. It focused on making breakthroughs in the mid-to-high-end market and international markets, expanded in innovative business sectors, and promoted the all-category intelligent IoT ecosystem in global markets at a faster pace. In 2021, the global sales volume of TCL smart screen reached 23.58 million units, and the global market share increased to 11.5%, ranking among the top three worldwide. The company recorded RMB62.07 billion in principal business revenue, up 37.2% year-on-year.

### Globalization Strategy Delivered Notable Results

TCL Electronics further advanced its globalization strategy, expanded its presence in international key markets, continued to improve its global production capacities and layout of supply chain, and optimized channel and product mix to consolidate its competitiveness in the international markets. In 2021, the sales volume of TCL smart screen in the global market increased by 7.6% year-on-year, the average selling price rose by 16.8% year-on-year, and sales revenue reached RMB29.88 billion, up 25.7% year-on-year. In particular, the North American market sales grew by 16.5% year-on-year, with the US market ranking second by sales volume<sup>7</sup>. Emerging markets<sup>8</sup> sales increased by 29.5% year-on-year. The sales volume in the European market continued high growth momentum, up 42.1% year-on-year.

### Global Internet business profitability remained strong

TCL Electronics is actively developing its home Internet business on a global scale, and it generated RMB1.53 billion in Internet business in 2021, up 40% year-on-year. In particular, revenue from domestic Internet business (mainly relating to the business of Falcon Network Technology Group) reached RMB1.24 billion, a significant increase of 52.8% year-on-year. Revenue from membership business, vertical business, innovative business, and advertising business grew by 51.5%, 66.3%, and 16.9% year-on-year respectively, and ARPU stood at RMB63.2, up 33.9% year-on-year. Meanwhile, revenue from overseas Internet business reached RMB300 million, up 3.8% year-on-year. TCL Electronics continued to deepen its close cooperation with Internet giants such as Roku, Google and Netflix, achieved additional shared revenue from Google platform operations, completed the commercial transformation of content aggregation application – TCL Channel, and further expanded the space for growth of global home Internet business.

### Innovative Business Became a New Growth Driver

TCL Electronics adhered to innovation-driven development and vigorously explored innovative businesses such as smart connection, smart home and all-category marketing. In 2021, the company launched a variety of innovative products such as smart glasses, routers, robot vacuum cleaners and air purifiers, and actively developed AR/VR and PV industries. Based on TCL's strong branding power and global channel resources, multi-category products launched in 2021 have entered the international market and gained popularity among consumers. Among them, Sweeva 6500 robot vacuum cleaner won the CES “2022 Innovation Award”, and Breeva A2 and A5 air purifiers won the “Red Dot Design Award 2021”.

<sup>7</sup> Source: NPD.

<sup>8</sup> Emerging markets include Asia Pacific, Latin America, and Central and East Asia.

### R&D Capability Continued to Improve

In 2021, TCL Electronics actively facilitated the technological development of the industry, with particular emphasis on innovations and breakthroughs in display technology and smart interaction. TCL Electronics created top core technology control points focused on technological innovation of picture quality, human-computer interaction, operating system, AR optical design, audio and video, 5G, and AI to enhance the comprehensive product competitiveness and deliver the ultimate experience and value to users. Meanwhile, TCL Electronics continued to step up the construction of cloud technology and big data platform to improve the development efficiency of Internet applications and support agile innovation in Internet business. In 2021, R&D expenses increased by 41.2% year-on-year to RMB2.06 billion, and the R&D expense ratio reached 3.3%.



Global sales volume of TCL smart screen

**23.58 million units**

Global market share up to 11.5%  
Sales among top three worldwide

Principal business revenue

**RMB62.07 billion**

Up 37.2% YoY



## TCL Air-Conditioners

Under the management philosophy of “Accumulation • Focus • Breakthrough”, TCL Air-Conditioners concentrated on marketing breakthroughs and brand momentum enhancement. The company built up its strength in four dimensions of innovation: marketing breakthrough, category innovation, efficiency drive, and organizational consolidation. It accelerated the transformation from a disadvantageous position to an advantageous one amid the strategic stalemate of market competition, recording an 8.1% year-on-year increase in sales volume to 11.66 million units with a global market share ranked 4<sup>th</sup><sup>9</sup>. In 2021, the company recorded RMB17.58 billion in principal business revenue, up 18% year-on-year, with a net profit of RMB260 million.

**Focus was placed on the “Fresh Air” conditioners and marketing breakthroughs.** In the PRC market, the company established the popularity of fresh air conditioners and brand recognition as a leader, boosting business growth by 20%, with retail market growth bucking the trend. In international markets, the company actively engaged with major customers, improved customer quality, and maintained its overall leadership in Latin America and South Asia. For the central air conditioner business, the company deepened channels and focused on million-level projects, putting its best efforts towards contractors and distributors, thus achieving a 26% year-on-year increase in sales revenue.

**Quality continued to improve and NPS increased for the third consecutive year.** Driven by “category innovation” and oriented by customer demand, TCL Air-Conditioners established the core value of “air experts for your health”, and actively deployed channels for fresh air systems, from Small Blue Wing I to Small Blue Wing II. The most complete layout and range of horsepower in the industry have been achieved for the fresh air conditioner matrix. The company continued to improve the Gentlecool smart floor-standing and split AC models in each price range, and successfully launched a new generation of multi-coupled central AC TMV6, with the largest capacity and being the first Gentlecool ceiling cassette split type AC in the industry. TCL Air-Conditioners won the “Scientific Progress Award” of Guangdong Province, the Small Blue Wing fresh air conditioner won the “AWE Innovation Award”, and the fresh air remote control won the international “Red Dot Design Award”. Meanwhile, the two in-house research achievements, i.e., “Technical Research and Application of Air Quality-based Intelligent Control of Fresh Air Conditioner with Large Fresh Air Volume and Great Comfort” and “Research on Key Technology of New High-efficiency Inverter Controller and Its Industrialization”, have reached the international advanced level.

**Factory digitalization was enhanced with the application of high-end intelligent control system.** Through “efficiency drive” and “organizational consolidation”, the company built up its internal strength to generate greater growth momentum. By optimizing and upgrading MSE, WES, EMS, and TMS, the company made a smooth transition from the standardization level to the integration level in digital transformation, focusing on breakthroughs in single-shift output. It was empowered by a consulting firm to implement “Three Transformations and One Design”, and introduced Lean Production 2.0, achieving a 21.5% year-on-year increase in UPPH. The company also established a subsidiary called Wankezi Intelligent Control to step into the electronic control field. It focuses on the R&D and manufacturing of intelligent control systems to provide smart solutions for home appliance enterprises and fill the gap in the high-end intelligent control industry in Zhongshan City, such as smart controllers, integrated circuits, electronic components and power circuit boards.

<sup>9</sup> Source: ChinalOL.



Sales volume up 8.1% YoY to

**11.66 million units**

Global market share ranked 4<sup>th</sup>



Annual principal business revenue

**RMB17.58 billion**

Up 18% YoY

## TCL White Household Appliances

TCL White Household Appliances adhered to the user-centered approach, constantly reinforcing the refrigerator's orientation towards "smart storage, healthy preservation" and the washing machine's orientation towards "smart classification, healthy washing and care". It also continuously integrated scenario-based and humanized technological functions into product design and technological innovation to offer users ultimate experiences. In 2021, the sales volume of refrigerators and washing machines reached 1.86 million and 2.17 million units respectively, with aggregate sales revenue of RMB3.65 billion, up 33% year-on-year.

**Breakthroughs were made in sales of mid-to-high-end products.** In adherence to the "product-driven, efficiency-based, marketing-empowered" business strategy, TCL White Household Appliances continued to increase R&D investment in mid-to-high-end products, optimize product mix, and improve SKU efficiency. The refrigerator and washing machine businesses both reached milestones: 1) Refrigerator: YoY growth of 161%, 399% and 52% respectively in mid-to-high-end products, first-class energy-efficient products, and products above 300L; 2) Washing machine:

YoY growth of 90%, 55% and 39% respectively in mid-to-high-end products, duplex washing machine, and 10kg drum washing machine. With its unique design concept, technology and aesthetic style, and quality experience, the TCL C12 Rapid Cooling Smart Screen Refrigerator with smart screen won the "Red Dot Design Award" and received unanimous recognition in the global design sector.

**All-category sales channels were integrated.** The company significantly improved channel efficiency by conducting more accurate multi-category joint promotions. TCL refrigerator and washing machine both ranked 5<sup>th</sup> in the PRC market sales in 2021, both rising one place year-on-year, according to ChinalOL data.

**Significant growth was achieved in international markets.** In the international markets, the company seized the opportunity to actively advance the "One Approach for One Country" strategy, and input multi-dimensional resources in key countries. The overseas brand business achieved a milestone breakthrough, with overseas revenue up 47% year-on-year in 2021.

Washing machines sales

2.17 million units



Refrigerator sales

1.86 million units





## Homa Appliances

In 2021, Homa Appliances's refrigerator business under tremendous pressure due to various unfavorable factors, such as soaring raw material and shipping prices, RMB appreciation, COVID-19 resurgences, and nationwide power restrictions. However, it actively consolidated and expanded customer resources, optimized product mix and continued to reduce costs for higher efficiency, recording RMB10.09 billion in principal business revenue, up 21.2% year-on-year, and exceeding RMB10 billion for the first time.

**With active responses to the surge in raw material and shipping prices, the refrigerator segment's net profit hit a record high.** In 2021, the prices of bulk raw materials such as copper and aluminum required for refrigerator production rose by over 50% from pre-pandemic levels<sup>10</sup>, and the Export Containerized Freight Index rose by 300%<sup>11</sup>, posing a huge pressure on the costs of export-oriented manufacturing enterprises such as Homa Appliances. The company took a string of measures to cope with the surge in raw materials and shipping prices: 1) vigorously optimized the product mix, with high-end air coolers accounting for 37% from 29% in 2020,

added new models of air coolers such as FF4-730, FF2-800 and FC2-660, and launched new high-end products such as automatic ice maker; 2) negotiated with suppliers to bring down procurement costs, with material costs per standard unit of refrigerator rising only 8% for the year, which was much better than the industry average; 3) negotiated with customers to enable multiple price increases for some products. In 2021, refrigerator segment generated a record net profit of RMB950 million.

**The disposal of FinTech segment was completed, laying the foundation for the company's long-term healthy development and focus on refrigerator as the principal business.** In 2021, Homa Appliances completed disclosure of risk matters, error correction and disposal of its FinTech segment. By eliminating relevant risks, the company boosted the confidence of shareholders, customers, banks and suppliers, bolstered the morale of the management and employees, and laid the foundation for the company's long-term healthy development and focus on its principal business – refrigerator.



Revenue exceeded RMB10 billion for the first time

**RMB10.09 billion**

Up 21.2% YoY

<sup>10</sup> iFinD.

<sup>11</sup> iFinD.

## Tonly Technology

In 2021, Tonly Technology overcame internal and external pressures, enriched customer structure, ramped up distribution of production capacities, and sustained performance growth. The company recorded RMB9.65 billion in principal business revenue, up 10.7% year-on-year, and RMB350 million in net profit, up 18.3% year-on-year.

**Audio products continued to grow and remained industry-leading.** In 2021, Bluetooth soundbar shipments reached 9.67 million units, generating RMB3.19 billion in sales revenue and a global market share of 14.5%<sup>12</sup>. In particular, party speaker shipments stood at 1.41 million units, up 26.4% year-on-year. Soundbar shipments were 3.79 million units, generating RMB1.92 billion in sales revenue, up 20% year-on-year, with a global market share of 20.5%<sup>13</sup>.

**Smart connection technology was actively developed, with growth in new categories.** Sales of True Wireless Stereo (TWS) Bluetooth headphones exceeded 3.6 million units, generating RMB600 million in sales revenue, up 105% year-on-year. At the same time, the smart hardware business from Internet customers and traditional PC brands in China achieved a breakthrough, and the sales mix of smart products was diversified.

**Major breakthroughs were made in precision technology capability, and integrated plants were established to optimize capacity layout.** In terms of precision manufacturing, the R&D capability in engineering technology was enhanced through the introduction of industry-leading talents. The

capability in precision mold design and micro electro-acoustic technology capability was substantially improved, enabling the development of the complete TWS headphone business, which was recognized by industry-leading customers and generated RMB170 million in sales revenue. The company further expanded Beihai Plant and increased the capacity utilization of plants in Vietnam. It continued to enhance production automation, digitalization and precision manufacturing capabilities for internal cost reduction and efficiency improvement while optimizing production efficiency continuously.

**R&D innovation and engineering capabilities were continuously enhanced.** Tonly Technology is carrying out R&D in multiple locations by leveraging the regional advantages of Huizhou, Shenzhen, Xi'an and Penang (Malaysia), and is committed to technological innovation to build a smart and connected industrial platform. By maintaining close cooperation with Internet enterprises of global mainstream voice platforms, the company gradually developed and enriched the ecosystem scenarios centered on them, realized interconnectivity among products, and further enhanced product competitiveness. The true wireless Bluetooth headphones with active noise cancellation from independent preliminary research were well received by the market. Meanwhile, the company gradually improved the technical layout of Bluetooth LE audio. Its technological innovations of Bluetooth wireless audio streaming at low latency, low power, and high bit rate will further enrich the smart IoT product mix in the future.



Principal business revenue

**RMB9.65**  
**billion**

Up 10.7% YoY



Net profit

**RMB315**  
**million**

Up 18.3% YoY

<sup>12</sup> Source: Futuresource.

<sup>13</sup> Source: Futuresource.

## TCL Environmental Technology

To implement the strategic idea of “focusing on resource recycling, providing comprehensive environmental services”, TCL Environmental Technology focused on hazardous waste and electronic waste (e-waste) business, and developed new business sectors. The company recorded RMB1.81 billion in principal business revenue, up 30.2% year-on-year.

### **Key breakthroughs were made in R&D and digitalization.**

In 2021, the company commercialized two technological achievements, with 14 patent applications received and eight patents granted, and the refined diluent reached electronic grade, providing LG with stable waste solvent refining and recycling services. In terms of digitalization, the company launched SAP, hazardous waste ERP system and a digital information system for e-waste business chain, to reinforce the digitalization capability, improve organizational energy efficiency and strengthen risk control.

**The e-waste business became industry-leading in terms of efficiency and effectiveness.** Benefiting from the operations strategy of adjusting structure, improving efficiency and reducing costs in the past five years, the e-waste business became industry-leading in terms of efficiency and effectiveness, enhancing the competitiveness of the company.

The fund subsidy approval rate exceeded 99%, and the revenue share of dismantled materials reached 75%, much higher than the industry average. The company consolidated its business advantages and took the lead in the e-waste industry. Its comprehensive capacity (the revenue share of dismantled materials and the volume share of white goods) was among the best in the industry, with significant improvement in per capita efficiency and effectiveness.

### **Focus was placed on hazardous waste business and the new business sectors.**

The company further developed hazardous waste business, focusing on recycling and one-stop services, and improving technical capability to create products for high-value recycling and make hazard-free products recyclable. It accelerated the construction of Huidong Base, Tonghu Base, Guangyuan Base, and Chongqing Base, and improved the industrial layout through investment in self-construction and M&A. It also focused on strengthening one-stop services in the sectors of semiconductor panel and circuit board, thereby continuously enhancing the stickiness of strategic customers. Meanwhile, it expanded into new business sectors such as smart environmental protection, retired power battery recycling, and carbon peak and neutrality as the drivers of future growth.



## TCL Industrial Park

TCL Industrial Park supported the long-term development of business office, industrial logistics, residential investment and construction management by establishing the capabilities in “investment management, risk control, project expansion, benchmark office products, cluster investment promotion and integrated services”. By strengthening the whole value chain of “investment, financing, construction, management, and exit”, the company provided professional services to industrial customers, achieving year-on-year performance growth. In 2021, its principal business revenue stood at RMB1.82 billion, up 229.8% year-on-year, and net profit grew 37.6% year-on-year to RMB450 million.

**Clear strategy, stable customers, excellent services, and robust operations resulted in a steady rise in office occupancy rate.** The office projects were repositioned to increase the share of customers in target industries. The overall upgrade of the office management system and brand image was accomplished by completing basic operation services and improving supporting facilities. In 2021, the rental income stood at RMB651 million, up 25% year-on-year, and the average occupancy rate reached 94.3%.

**The capacities in industrial logistics “investment, financing, construction, management and exit” were established through platform building, capacity building and project expansion.** The company successfully built an investment platform and asset management platform for industrial logistics business in cooperation with ESR, and secured land plots of 166,800 m<sup>2</sup> for Huizhou Zhongkai Logistics Project and Huizhou Lugang Phase I Project. Through benchmarking against ESR, it

established the systems for investment management, product planning, engineering management, procurement cost, investment operation and risk control in relation to industrial logistics projects, and gradually developed an end-to-end asset management capability recognized by the capital market. In particular, Logistics Park Phase 1 in Hefei Economic and Technological Development Zone was completed and accepted in March and was fully leased in September. The construction of Huizhou Zhongkai Logistics Project commenced in November.

**Customer satisfaction in construction management business was significantly improved by the continuous cost reduction and the excellent quality control.** Leveraging the intensive management of project construction, the company commenced the construction of Shenzhen Bay Super Headquarters Base, Huizhou Module Phase 3, Tianjin Aobo and Suzhou CSOT Module Phase 3, and the main body of Guangzhou CSOT t9 project was capped ahead of schedule. In September, it obtained Grade-B supervision qualification, and the tender price of new construction projects was 7 percentage points lower than the industry quota, and the annual customer satisfaction increased by 10 percentage points year-on-year.

**Residential investment business produced steady additional income for TCL Industrial Park thanks to sound liquidity and safety.** Through strategic cooperation with central state-owned enterprises, TCL Industrial Park invested in two residential projects in Shenzhen worth about RMB810 million.



## Getech

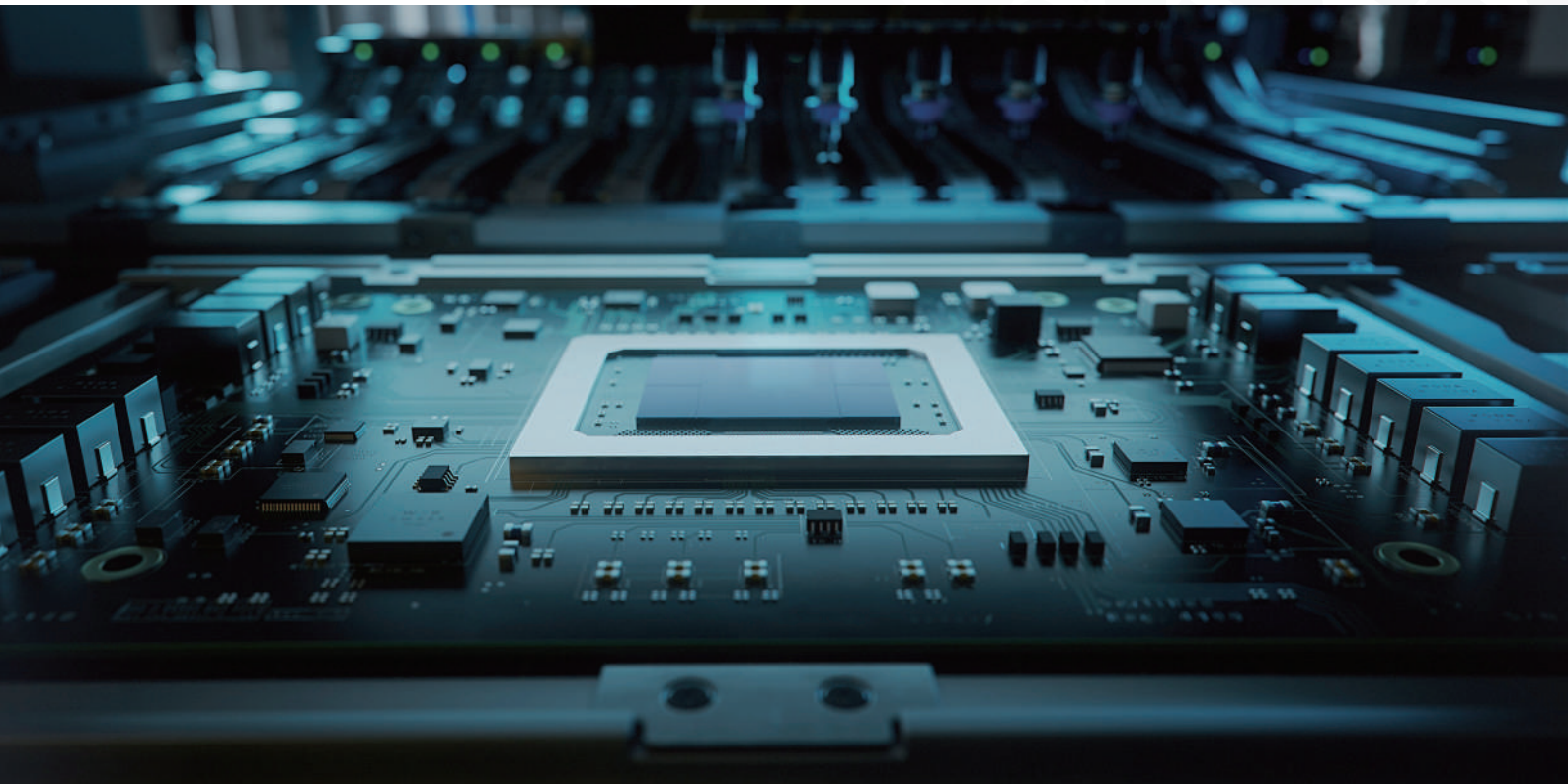
Getech is a leading industrial Internet platform company with strong manufacturing strengths, focusing on empowering digital transformation and upgrade of customers in 3C electronics, pan-semiconductor, and new energy sectors. In 2021, the national policy remained favorable, the development of industrial software in China accelerated, and the carbon peak and neutrality strategy further stimulated the demand for industrial digital transformation and smart manufacturing upgrades of key industry customers. As a result, Getech managed to exceed its target and record RMB740 million in revenue, up 40% year-on-year.

**TCL Digitalization 2.0 was safeguarded.** With business-driven digital transformation, Getech assisted TCL in realizing structural changes from technology to platform and to process, and boosted TCL's digital capability. It coordinated the construction of "one network, one cloud and one center" to consolidate the digitalization of TCL across industries; accelerated the application of industrial software and realized autonomous control of over 80% of TCL CSOT's production system; assisted the core industry segment of Zhonghuan Semiconductor in completing the top-level design of Industry 4.0 digital transformation. In 2021, TCL's digital transformation results were highly recognized by external professional agencies. "TCL One Cloud" was awarded as a leader in future IDC digital infrastructure, and TCL Industries and TCL CSOT were both included as excellent cases in Accenture 2021 China Enterprises Digital Transformation Index Report.

**Focus was placed on 3C electronics, pan-semiconductor, and new energy.** Relying on the extensive business scenarios and experience of TCL's core sectors, Getech is committed to empowering customers in 3C electronics, pan-semiconductor,

and new energy sectors. In 2021, Getech successfully delivered over 10 benchmark projects for industry-leading customers, covering multiple industry chain segments such as communication, precision devices, silicon wafers, electronic circuits, package testing, and lithium batteries. Meanwhile, it further enhanced the competitive edge in high-end manufacturing, strengthening its end-to-end project delivery management capability. As a result, the company significantly shortened the average delivery time to 1.5-3 months, gaining acclaim from customers on delivery quality.

**The industrial Internet platforms and applications were improved.** After three years of product improvements deeply incorporating 5G, AI, big data and other next-generation information technologies, Getech continued to upgrade the technical architecture of industrial IoT platform in an effort to enhance the platform resource management capability and enrich the industrial application ecosystem. In 2021, the platform passed the industrial IoT platform performance evaluation by the Alliance of Industrial Internet, was included in the "China's Top 15 Vendors of IDC Industrial Internet Platform" and received multiple honors including "National Characteristic Professional Industrial Internet Platform". As of 2021, the platform had been connected with nearly 800,000 units/sets of industrial equipment, with over 20,000 industrial mechanism models. It has incubated top-level industrial applications such as EHM, EMS, Tianshu, and MFA, covering multiple complex industrial scenarios in over 30 sectors, and served about 5,000 paid industrial enterprises. In 2021, the company's core products picked up the pace of fast growth, with revenue rising by approximately 20% year-on-year.



## TCL Financial Service

TCL Financial Service provides financial services for micro, small and medium-sized enterprises and households in the industrial ecosystem, in collaboration with banks and other high-quality financial institutions based on industrial business scenarios. In 2021, the company further adjusted its business strategy and optimized equity structure to enter a rapid growth stage. Its overall business was focused on supply chain FinTech. As the development path became clear, the business scale continued to expand, generating RMB600 million in principal business revenue, up 44.7% year-on-year.

**Breakthroughs were achieved in supply chain finance business.** At the end of 2021, the supply chain finance business had expanded extensively and rapidly. The JDH platform provided efficient and convenient supply chain finance services to over 24,000 firms, with a total transaction volume of over RMB650 billion, reinforcing its leading position in the industry. In addition, TCL Financial Service saw a rapid rise in various business indicators, especially the market-leading innovative business of Supply Chain Bill, with a transaction volume exceeding RMB10 billion and ranking first in scale among third-party technology platforms<sup>14</sup>.

**Inclusive finance business witnessed steady development.** Products such as inclusive business loan and PV financial lease continued to develop, and the future direction of industrial finance became clearer. In particular, inclusive business loan expanded in terms of business scope, posting a record increase of 113% year-on-year. Employee loans benefited over 1,700 families. Meanwhile,

the overall non-performing rate decreased steadily, remaining below 1%, demonstrating strict control over asset quality.

**Operations were compliant and robust, and highly recognized by the industry.** TCL Financial Service attached great importance to compliant operations and maintained transparent, bidirectional communication with regulatory authorities while carrying out various business innovations. In 2021, JDH was recognized as the benchmark of China's supply chain finance industry – Excellent Technology Service Provider in Supply Chain Finance. TCL Internet Micro Loan garnered the Business Performance Award from Guangdong Association of Microcredit, and Zhirong Technology Micro Loan won the Excellent Risk Control Award from Guangdong Association of Microcredit.



Principal business revenue

**RMB600 million**

Up 44.7% YoY



Transaction volume exceeded

**RMB10 billion**

Ranked first by scale among  
third-party tech platforms

<sup>14</sup> Source: Shanghai Commercial Paper Exchange.

## Capital Operation and Review

In 2021, TCL Industries seized the market opportunity to improve business layout and enhance overall competitiveness through capital market operations, as it has been staying committed to maximizing shareholders' interests.

### Acquisition of Homa Appliances (002668.SZ) to Enhance Competitiveness in Refrigerator Sector

TCL Home Appliances, a fully-owned subsidiary of TCL Industries, had been acquiring shares of Homa Appliances through judicial auctions and secondary market since January 2021 with its parties acting in concert and finally took over Homa Appliances in early May soon after becoming the largest shareholder. TCL Home Appliances further strengthened its control over Homa Appliances through tender offer and stock purchase in the secondary market. As at December 31, 2021, TCL Home Appliances held a 48.05% interest in Homa Appliances.

In recent years, the overall performance of Homa Appliances was weighed down by its Internet finance segment. After TCL Industries took over, the new management team implemented a string of measures in Homa Appliances, including appointing a new auditor and making prior year adjustments to the significant historical accounting errors. In addition, Homa Appliances successfully divested its financial assets at the end of 2021, further demonstrating its determination to focus on the principal business of refrigerator and freezer manufacturing and to improve corporate governance and business development. As a leader in refrigerator ODM in China, Homa Refrigerator, subsidiary of Homa Appliances, maintained sound operating performance. The acquisition of Homa Appliances has enabled TCL Industries to integrate high-quality assets and enhance the competitiveness of its refrigerator business.

### Joint Establishment of Semiconductor Business Platform with TCL Technology

In May 2021, TCL Industries and TCL Technology jointly established TCL Microchip Technology (Guangdong) Limited. ("TCL Microchip Technology") with a registered capital of RMB1 billion, each contributing RMB500 million, with an aim to identify industrial expansion opportunities in fields of integrated circuit chip design and semiconductor power devices. TCL Microchip Technology operates a fully-owned subsidiary, Moxing Semiconductor (Guangdong) Co., Ltd., and has set up a fully-owned second-tier subsidiary, Moxun Semiconductor Technology (Shanghai) Co., Ltd. which specializes in integrated circuit design and services. The company has also, through capital increase, gained control over Tianjin Huanxin Technology & Development Co., Ltd. which specializes in R&D, manufacturing and sales of semiconductor power devices.

This investment enabled TCL to seize the opportunities in IC chip design and semiconductor power devices, to accelerate project investment and technological innovation application

and encourage the industrial upgrade and integration of the company in the semiconductor sector. In the field of IC chip design, with reference to the Fabless model, TCL Microchip Technology focused on developing chip categories with high demand from upstream and downstream industries, such as driver chips and AI voice chips. It advanced the production of dedicated chips by bringing in external professional talents and enhancing team capabilities. In the field of semiconductor power devices, TCL Microchip Technology plans to further increase production capacity, strengthen the core technology capability in device business and establish leadership in the market.

### Investment in Xinxin Retail Innovation Fund II to Strengthen Cooperation with Downstream Parties

At the end of June 2021, TCL Industries invested RMB600 million in Jiangsu Xinxin Retail Innovation Fund II (Limited Partnership) ("Xinxin Retail Fund II") as a limited partner. Xinxin Retail Fund II signed a share transfer agreement to acquire a 16.96% stake in Suning.com (002024.SZ).

As a strategic partner of TCL Industries, Suning.com is an important domestic distribution channel for TCL Industries. The strategic acquisition of a stake in Suning.com not only alleviated Suning Group's liquidity crisis but also further strengthened the cooperation between TCL Industries and the fund in future business opportunities and synergies.

### Further Divestment of OEM Segment to Focus on Proprietary Brands

In April 2021, TCL Industries completed the sale of its 100% equity interest in Moka International to TCL Technology, and Moka International was no longer included in its consolidated statements from the second quarter of 2021. Moka International is primarily engaged in the development and manufacture of large and medium-sized smart display devices, including monitors, televisions and various commercial displays, through the ODM model.

The divestment of OEM segment enables TCL Industries to zero in on its proprietary brands and the integration of technologies, products and application scenarios of core product lines. It also helps effectively enhance the asset liquidity and asset operating efficiency of the Company so that it can invest more resources in the development of independent brand business and further demonstrate its determination to develop TCL's proprietary brand products and business.

## Completion of a New Round of Financing by TCL Environmental Technology

In August 2021, TCL Environmental Technology, a subsidiary of TCL Industries, carried out internal equity structure adjustment and completed a new round of financing, introducing investors such as Yuecai Industry Investment, Guangdong Rongchuang, Wuhan Optics Valley Venture Capital, and Huatuo Zhiying, with a valuation of over RMB2 billion. It further improved the equity structure, enriching the shareholder background and enhancing the capital strength to lay a solid foundation for future business development.

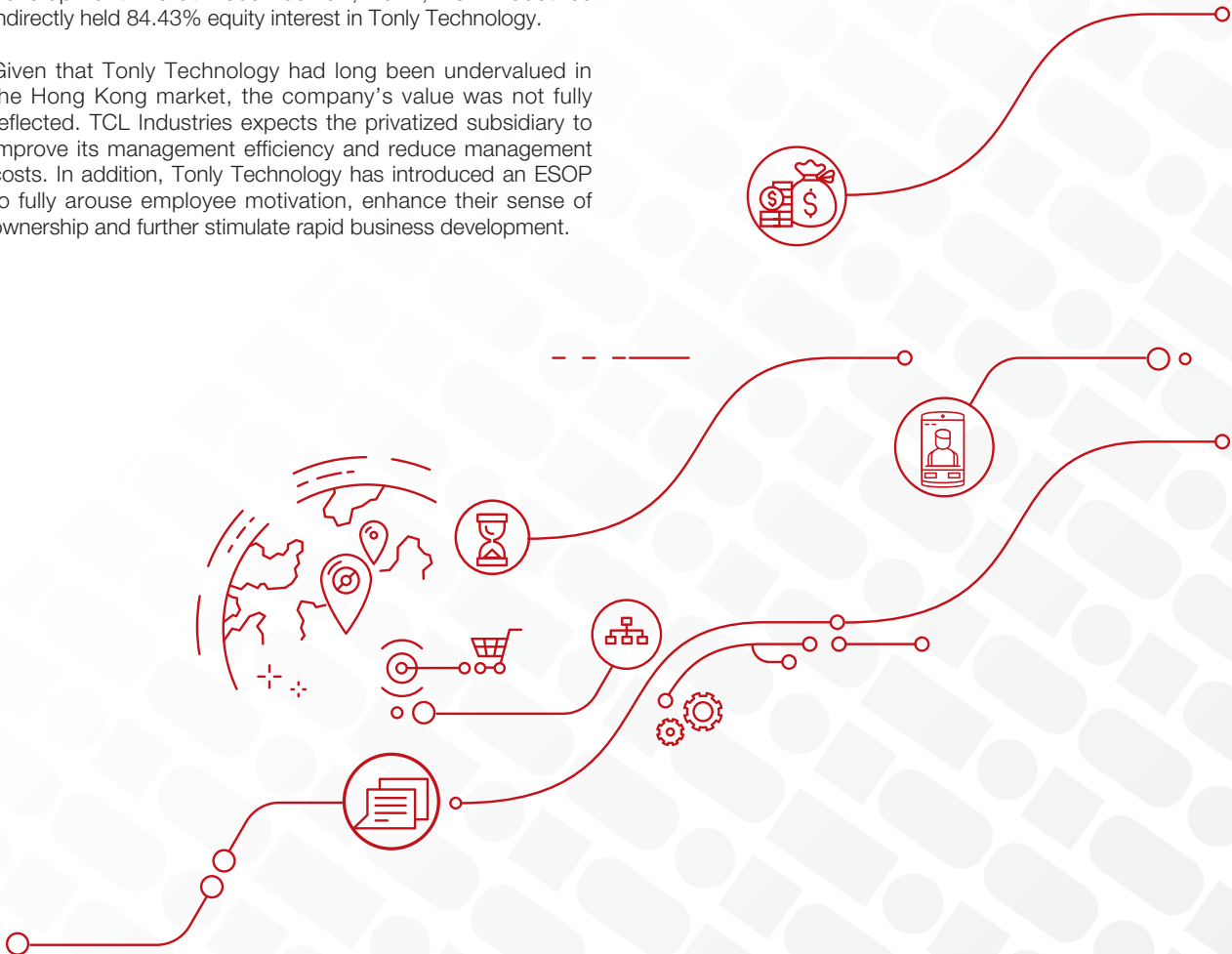
## Launch of Employee Equity Incentive Scheme by Tonly Technology

In March 2021, TCL's subsidiary Tonly Electronics successfully completed privatization six months after the announcement of the privatization plan in October 2020, thus delisting from the HKEX Main Board. In November 2021, Tonly Electronics completed shareholding reform and changed its name to "Tonly Technology Co., Ltd." ("Tonly Technology"). In December, Tonly Technology introduced an employee stock ownership plan (ESOP) for employees to share the fruit of the company's development. As at December 31, 2021, TCL Industries indirectly held 84.43% equity interest in Tonly Technology.

Given that Tonly Technology had long been undervalued in the Hong Kong market, the company's value was not fully reflected. TCL Industries expects the privatized subsidiary to improve its management efficiency and reduce management costs. In addition, Tonly Technology has introduced an ESOP to fully arouse employee motivation, enhance their sense of ownership and further stimulate rapid business development.

## Acquisition of TCL Financial Service to Improve the Layout of Industrial Finance

In June 2021, TCL Industries acquired from TCL Technology 100% equity interest in TCL Financial Service in cash, whose principal businesses include inclusive finance and supply chain finance. In August, TCL Financial Service was restructured and absorbed TCL Industries' FinTech platform – JDH Technology, further improving the layout of TCL Industries in supply chain finance and strengthening the synergy between industry and finance. In the future, the Company will continue to implement capital operation plans for relevant businesses at the opportune time, with a focus on industrial finance in a bid to further promote business growth.





## Research and Innovation

Under TCL's consistent strategies of "Globalization" and "Technological Transformation", TCL Industries focuses on smart device business. With its company-level product R&D strategically oriented by smart technology, display image quality and healthy living, TCL Industries continuously advances technological research and innovation and builds an open ecosystem for smart interconnectivity so as to provide smart solutions across all categories and all scenarios for users. In 2021, R&D expenses registered RMB3.66 billion, up 18.22% year-on-year.

### Developing Smart Screen Technology under the "Image Quality First" Strategy

#### Application of Mini LED Technology to Mass Production

Mini LED has been embedded with industry-leading COB and AM technology. Through independent and cooperative development of COB whole process technique, customized chip, PCB technology reserve and platform architecture, technical control points have been formed to effectively support the Company's Mini LED strategy. TCL Industries was the first in the world to apply AM technology to create the coplane of single-sided aluminum base lamp driver. The industry-leading Mini LED technology solution has been applied to the mass production of all X11 and C12 products.

#### Breakthrough in QLED Technology Cost

Thanks to product integration enabled by material coating technology and multi-layer co-extrusion technique as well as aggregate procurement with standardized design, the Company has made more breakthroughs in QLED technology cost. The QLED technology that were previously applied to high-end products now has been used in mid-end P series products to benefit more customers.

#### Breakthrough in Image Quality Technology and IP Development

With Local VAC and the perception of people's viewing position, the self-equivalent viewing angle has been increased by 20°. Specifically, smart perception of scenario, brightness and environment self adaptively enhances the level details of bright and dark scenes under different contents and viewing brightness conditions with the self-developed contrast algorithm; the self-developed AI algorithm model development, data set training and SoC interface customization improve the number and enhancement of self-owned AI image quality recognition to allow for leading image quality; and due to IP breakthroughs such as improved viewing angle and contrast, customized chips have entered the stage of pending import.

#### Industry-leading Performance of Innovative Onboard Three-antenna Technology

The performance of innovative onboard three-antenna technology has reached an industry-leading level. The directed radiation of homopolar vertical polar component forms a collinear arranged Wi-Fi signal transceiver blind area to increase isolation; the polar isolation satisfies the demand for communication application and increases isolation between

antennas; the high resistance structure of Wi-Fi and Bluetooth resonance current improves the detectability of cross polarization.

#### Breakthrough in Foldable Screen Technology

Foldable screen technology has been utilized to create the first motorized rail shaft, with reliability of 200,000 folds and multi-angle hovering. The concept device "Ultra Flex" has been rolled out, which is foldable 360-degree inwards and outwards. It presents how TCL Industries envisions the future form of smartphone. Through folding in as well as out on the phone, the device can provide users with more feasible options.

#### Making Innovative Breakthroughs in AC, Refrigerators and Washing Machines in the Strategic Sector of Healthy Living

##### Fresh Air Technology Innovation: Technical "Innovator" in the New Sector

TCL AC has been ramping up research investment and reaped industry-leading research results in smart fresh air AC. TCL Industries carries out the research and application of fresh air AC technology with large fresh air volume and high comfort. Large fresh air volume and low noise design, smart air quality control, and technical path elaborately designed with high comfort fresh air distribution, have addressed industry-wide difficulties such as small air volume, large noise, poor sound quality, unsatisfied comfort, and intellectual inadequacy of fresh air AC without reaming. The fast application of technological innovations has also resulted in a breakthrough in integrated small frequency conversion technology and the large air volume + sensible wisdom of fresh air AC. As the industry leader in fresh air efficiency, under the constraint of "no reaming", TCL Industries has achieved the super-large fresh air volume of 60 m/h for split AC, 300 m/h for T vertical AC and 200 m/h for D vertical AC.

Through new product rollouts, academic special reports, appraisal of technological achievements, and voice to the industry, TCL Industries has established a fresh air model, speaking up for the technology to support the promotion of brand energy. The Company participated in the formulation and three rounds of discussion of the *Evaluation Standard for Fresh Air Function of Portable Air Conditioners*; and won some influential awards such as the Innovation Prize of AWE Award and the Guangdong Science and Technology Award. Going forward, TCL Industries will further develop and applies new technologies, and build capabilities in AIxIoT smart and healthy technologies to create products that meet the real needs of users.

## TCL Molecular Preservation Technology: Leading a “Fresh” Life

TCL molecular preservation technology, the first of its kind in the industry, uses the weak signal magnetic field to enable diamagnetic organic molecules to have “lock” and “hold” functions at the microscopic molecular level, thus materializing multiple preservation effects such as water locking, anti-oxidation, and bacterial inhibition. The combined effects keep the food cells “tight” and as if they were in a dormant state, so that the preservation period of fresh produce can be maximized.

The product verification has been recognized by influential experts in food nutrition/safety and home appliance industries, such as Academician Xie Mingyong at Nanchang University and Deputy Chief Engineer Cai Ning at China Household Electric Appliance Research Institute. All the experts have verified that this technology can significantly enhance preservation effect for many fresh products, especially its remarkable performance in ultra-clean bacteriostasis, multiple promotion of Tricholoma Matsutake and preservation of fresh VC (vitamin C). It is friendly to users who extremely value health and beauty.

## Smart Classification & Healthy Cleaning for All-around Care

With a focus on smart classification and healthy cleaning, TCL Industries has made breakthroughs in classified washing technology, secondary pollution-free technology, and smart interconnectivity, gaining a leading position in the industry. In terms of smart cleaning, the Company has developed a smart, precise and automatic detergent dispensing technology that allows for automated dispensing and rinsing based on concentration; designed scenario-based classified washing modes that can be matched with ages; improved the vibration reduction technology to allow for sync operation of dual barrels, with an eccentric piece of 1200g and a noise level below 68dB. For sterilization, based on the different product characteristics, the Company applies ionized air technology, antibacterial door seal, inner barrel cleaning, UVC & silver ion sterilization technology respectively to its products so as to safeguard user health.

## TCL Products Bringing a Smart Life in the Smart era

### Consolidating IoT Platform Capabilities and Addressing Device Data Silos

With an emphasis on building an industry-leading AIoT technology platform and a smart service ecosystem for future smart spaces, TCL Industries has further improved its platform efficiency, cost-efficiency, and quality, and continuously empowered the smart all-category upgrades, thus truly making smart features creative selling points and building differentiated product competitiveness.

The Company has aligned its all-sector electronic control protocols with the TCL Link 1.1 protocol, and promoted and adopted it in new product categories of all sectors. It formulated the all-sector

unified SN standard and launched it on the SN platform. This has laid a foundation for the normalized management and data interconnection of all device categories in the sectors, and the coverage of the unified account platform in business applications grew further. The Company has started building basic security platforms with full-link coverage, improving its platform-based capabilities to perceive and cope with product risks in various aspects.

In addition, TCL Industries actively explored ecosystem cooperation. With connection to Tencent Lianlian ecosystem, users can control TVs through WeChat mini program. The Company started cooperation with the relevant ecosystem and has the ability to quickly import relevant devices. It also cooperated with JD Xiaojia to enable the effective interconnectivity of e-commerce platforms.

## AI Technology Empowering New-generation Smart Home Interaction Mode

With the development of humanized and emotion-sensitive AI technology and the scenario-based perception and emotion-based designs, TCL Industries' smart scenario-based computing engine allows for an emotion-based interaction experience for users. In terms of voice assistants, the productization of self-developed natural language understanding (NLU) and text-to-speech (TTS) has been completed. As for computer vision (CV) applications, multi-mode interactions such as gesture, posture, and image recognition have been achieved.

## Creating Smart Scenario-based Experiences with Technology

With the distributed whole-house smart control technology, the smart voice assistants available anywhere, and the smart scenario-based functions for cross-screen information flow, TCL Industries has addressed the bottleneck of a single control center in the smart home sector, and enabled multi-point smart control of home appliances, making each home appliance an independent control center. Its smart scenario-based services cover smart screens, air conditioners, washing machines, refrigerators, smart integrated stoves, smart locks, smart switches, and other products, truly realizing all-scenario interconnection.

Its all-scenario smart AIxIoT solution provides a more immersive, comfortable, and enjoyable all-scenario smart system that integrates multiple entertainment scenarios such as games, audios & videos, and social networking for full enjoyment of AI fitness, remote classrooms, children's content, health management, and other smart app services, bringing users real whole-house smart control experience. For a better gaming experience, the Company has developed an industry-leading smart screen for gamers, with a latency of 68.8ms (vs the 84ms of Xbox), the lowest latency in the industry. TCL Industries became the first company to get four stars in the Tencent START Cloud Gaming Certification, and it was presented with two awards (the 2021 Innovative Product Award and the Industry Leader Award) at the China Cloud Gaming Big Screen Ecological Innovation Summit.

## Risk Factors

### Policy Regulation Risk

As a result of domestic and overseas business expansion as well as external factors such as the changes in international trade policies, increasingly stringent regulatory environment in many countries, and ever-changing international political landscape, TCL Industries is exposed to severer trade, compliance and political risks (including geopolitical risk) in relation to its global business operations. These risks can be subdivided into trade policy risk, export and sanction compliance risk, anti-corruption risk, anti-monopoly risk, privacy protection risk, cybersecurity risk and other compliance risks, as well as risks arising from political uncertainty.

TCL Industries always strictly abides by all applicable laws and regulations. It has put in place a compliance management system, under which it adopts various compliance control methods to systematically control related risks, such as issuing policies, setting up relevant organizations, developing systems, and embedding processes. Nevertheless, the complex legal and political environments in some countries and regions are likely to adversely affect the Company's operations. There are risks that have not yet been fully covered by the existing compliance system or are difficult to effectively prevent and control, especially abrupt changes in policies and regulations as a result of political factors. To address such risks, on the one hand, TCL Industries closely monitors changes in relevant laws, regulations and policies, continuously improves its compliance capabilities, perfects the existing compliance management system, and enhances crisis response capacity. On the other hand, on the basis of compliance, the Company brings its global business advantages into full play and optimizes the capacity layout and supply chain system to minimize the negative impact of policy regulation risk on its business.

### Supply Chain Risk

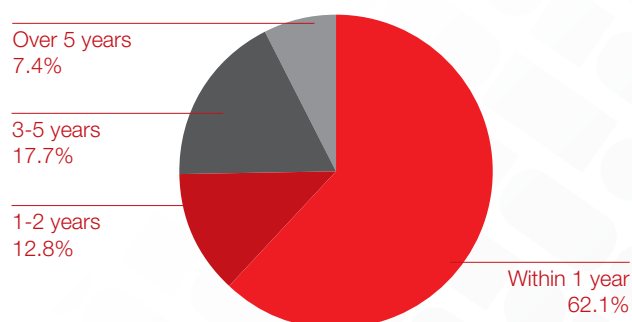
In 2021, driven by the complex global competitive landscape, resource mismatches amid the pandemic, and a surge in downstream needs, the prices of major raw materials kept rising for the longest period in history, reaching a peak in the middle of the year before declining. In the second half of the year, although the supply and demand of raw materials gradually returned to a balance, ports were overwhelmed with goods, which, coupled with the high logistics cost and high-priced inventory accumulation, placed the Company's production and operation activities under mounting pressure.

In adherence to the strategy of globalized and diversified supply chain, TCL Industries works closely with suppliers and partners to create and maintain a secure, reliable, competitive and healthy industry chain. On the one hand, the Company identifies risks early, establishes multiple-location capacities at home and abroad to mitigate the supply chain risk that core customers are concerned about, and keeps a reasonable stock of raw materials, semifinished products, and finished products to satisfy the customer demand for strategic stock. On the other hand, the Company dynamically adjusts qualified suppliers on a regular basis to ensure supply stability and decentralize supply chain risk to guarantee adequate supply.

### Liquidity Risk

The Company emphasizes debt management and maintains reasonable debt level, structure and cost. As at December 31, 2021, the Company registered a liability-asset ratio of 81.8%, up 1.1 percentage points year-on-year; an interest-bearing liability ratio of 26%, up 6.4 percentage points year-on-year; outstanding interest-bearing liabilities (all being loans) of RMB25.03 billion, including RMB15.54 billion due within 1 year, RMB3.20 billion due in 1-2

years, RMB4.43 billion due in 3-5 years and RMB1.86 billion due in over 5 years. In order to prevent the potential impact of a lack of liquidity on its business development, while actively stepping up efforts to collect accounts receivable, the Company conducts funds planning in advance, establishes a sound cooperative relationship with banks and other financial institutions, and raises the funds needed for normal operations by short-term borrowings and other means. Furthermore, the Company strives to diversify its funding sources, raise medium and long-term funds at a low cost, and minimize refinancing risk.



### Foreign Exchange Risk

As TCL Industries' sales network covers North America, Europe, South America, Asia Pacific, the Middle East, Africa, and other regions in the world, its subsidiaries are exposed to foreign exchange risk from foreign currency-denominated financial assets and liabilities and net overseas investment. In 2021, the COVID-19 pandemic, inflation crisis, slow global economic recovery, and other factors together caused the currencies of emerging market countries to fluctuate substantially. In particular, Brazil raised its interest rate by a record 725bps, and BRL/USD, PLN/USD and EUR/USD fluctuated by up to 16%, 11% and 10%, respectively. Facing the increasing market volatility, the Company's Management made swift responses. Guided by the objective of keeping foreign exchange risk neutral, the Company developed a risk management policy to identify and analyze the risk. Leveraging the expertise of TCL Financial Service, the Company used foreign exchange forwards, swaps and other financial instruments to hedge against the impact of exchange rate fluctuations on profits and losses, under the basic management principle of "taking natural hedging as the main method and derivatives hedging as a supplementary one, while aligning the hedging strategy with business operations."

### COVID-19 Pandemic

In 2021, despite accelerated vaccination, the global COVID-19 pandemic resurged repeatedly with signs of becoming a new normal. The pandemic not only hampered manufacturing but also subdued consumer demand for home appliances to some extent. Paying continuous attention to COVID-19, TCL Industries set up a COVID-19 Response Team and took a string of effective measures to respond to the situation. By issuing an emergency plan for COVID-19 response as well as adopting targeted measures, reserving supplies and promoting prevention and control knowledge, the Company ensured its normal production and operations and raised the public awareness of COVID-19 prevention. During the year, the Company urged all its eligible staff to get vaccinated and take necessary nucleic acid tests. TCL Industries also adjusted the product marketing strategy in time and intensified efforts to expand online channels to alleviate the impact of the pandemic on the performance of physical outlets.



# Social Responsibility

## Social Responsibility

### Green Development

Green development is not only a strategic choice in response to global climate change, but also the only way to break through the environmental bottleneck of resources faced by enterprises in development. Continuously practicing the philosophy of green development and low-carbon operation, and focusing on the environmental impact brought by the Company, TCL Industries is devoted to making greater contributions to the accomplishment of China's "dual carbon (carbon peaking and carbon neutrality)" strategic goal by pushing forward green products and operation, and driving stepwise the green and low-carbon development of the industry.

#### Manufacturing green products

We extend the green concept to its products with an aim to promote environmental management throughout the product life cycle and ultimately diminish the negative impact on the environment.

#### Improving resource efficiency

When using resources, we pay more attention to the sustainable use of resources, aiming to continuously improve the efficiency of energy, water and other resources in the operation process, scientifically and reasonably use resources and reduce unnecessary waste of resources.

#### Reducing pollutant emissions

Paying great attention to the management of pollutant discharge in the production process, we have built and operated efficient pollutant treatment facilities to monitor and manage the relevant parameters in the process of pollutant treatment, thus ensuring the compliance of waste disposal.



## Manufacturing Green Products

TCL Industries conceives that there is no conflict between technological development and environmental protection. We attach importance to not only technology diffusion to benefit people's livelihood but also the impact of products on environment. We are dedicated to improving environmental management throughout the product life cycle to reduce environmental impacts.

**Energy-saving products:** Learning cutting-edge concepts of energy conservation design, and focusing on the energy efficiency performance of products, we continue to develop products that comply with global energy efficiency policies and regulations to improve the energy utilization rate of our products.

We have launched a washing machine with national energy efficiency index 1 and a recycling ratio of no less than 70%, to advance the reduction and reuse of product materials and package.

We have rolled out air-conditioning products certified as green and low-carbon appliances to help consumers develop a green and low-carbon lifestyle.

We have 10 LCD TV products that reach the national energy efficiency index 2 and are selected into the "list of green design products" of the Ministry of Industry and Information Technology of the People's Republic of China.

Better  
energy  
efficiency  
performance

More  
autonomous  
energy  
conservation  
control

There is an energy conservation management feature in our mobile communication products and the intelligent power consumption protection function is enabled by default, by which the system will automatically switch to the Eco Mode when the battery is lower than 20%.



**Durable products:** We launch high-quality and durable products. By selecting durable materials, implementing the comprehensive reliability test before product delivery, and providing consumers with high-level and high-quality products.

Example of durable product Creating a smooth and comfortable system UI5.0 for smart-screen products

In 2021, through in-depth research on the fluency of use, the overall UI design and the adaptation to various application scenarios, we created an innovative TCL smart screen system UI5.0 to provide users with a more comfortable use experience. The system won the 2021 German Red Dot Award known as the "Oscar" in the design industry in August.

**Clean production:** The Company adopts the clean production model in operating photovoltaic power plants, exploring ice storage system projects in the park, etc. In 2021, TCL Industries generated 29,098.71 MWH of solar power, equivalent to a reduction of 16,906.35 tons of carbon dioxide.



The phase 1 and phase 2 photovoltaic power stations in the white home appliances production park

**Green packaging:** The Company minimizes the use of packaging materials by adopting environmental-friendly, light-weight and recyclable solutions.



Using paper materials to replace plastics for the outer packaging of mobile communication products, USB cable and earphone cable

**Recycling:** We take the initiative to fulfill the obligation of extended producer responsibility. By conducting trade-in and promoting resource recycling, we maximize the recycling of electronic wastes in an effort to reduce the impacts of waste electronic products on the environment.

Case of recycling **Recycling of electronic products**

In the North American market, we work closely with the partner MRM, an ISO 14001 certified electronics manufacturer recycling management company to offer a mobile device return mailing program covering the North America that makes it convenient for customers to return their waste mobile devices (such as mobile phones and tablet computers), in a bid to reduce the impacts of electronic wastes on the environment, and reuse the scarce materials contained in the electronic devices.

We also cooperate with the non-profit organization Call2Recycle to launch a safe and convenient battery recovery program. Customers can discard unwanted or end-of-life rechargeable batteries at more than 34,000 available collection points in North America. In this way, we promote the recycling and reuse of battery materials.

## Improving Resource Efficiency

When using resources, we pay more attention to the sustainable use of resources, aiming to continuously improve the efficiency of energy, water and other resources in the operation process, scientifically and reasonably use resources and reduce unnecessary waste of resources.

Case of energy management | TCL Electronics conducted the greenhouse gas review

TCL Electronics has spontaneously carried out greenhouse gas emission investigation and verification every year since 2017, in accordance with the ISO 14064 series of greenhouse gas management standards and *General Rules for the Accounting and Reporting of Greenhouse Gas Emissions by Industrial Enterprises*. In 2021, we completed the greenhouse gas review of 2020 and output the verification report according to ISO 14064, building valid basis for the formulation of initiative for energy consumption and greenhouse gas reduction.

Case of water management | Transformation for recycling of cooling tower water in the washing machine factory

Aiming at problems such as large water consumption for the wire test of washing machines and waste of water resources caused by direct discharge, our washing machine factory built recovery devices for outlets of cooling towers that have been put into use currently, and added the wire mesh on the top of the outlets for filtering to recycle the water discharged from the wire test in the workshop. When the water discharge can satisfy the demand of cooling towers, the operation of the existing water makeup system of cooling towers will stop, thus reducing the waste consumption by the recycling of reclaimed water.

## Reducing Pollutant Discharge

Paying great attention to the management of pollutant discharge in the production process, we have built and operated efficient pollutant treatment facilities to monitor and manage the relevant parameters in the process of pollutant treatment, thus ensuring the compliance of waste disposal.

TCL Environmental Technology | It can dispose of 4.69 million units of waste EEPs and 220,000 tons IHW per year

With TCL Environmental Technology as the main player, we carry out recycling, disassembly and reuse of waste electrical appliance, electronic products and power batteries, to contribute to the compliant recycling of waste electronic products. Meanwhile, we recover and reuse the directly reusable parts and components in the manufacturing process to improve the efficiency of resource utilization and reduce the exploitation of new resources.

TCL Environmental Technology is an enterprise group specializing in recycling of waste resources and comprehensive environmental services. It has built five resource regeneration and environmental protection treatment bases in Huizhou, Tianjin, Shantou and Huanggang. With the qualification of recycling and disassembly of waste electrical appliances and electronic products and the operation license of hazardous waste, it can treat and dispose of 4.69 million sets of waste electrical appliances and electronic products and 220,000 tons of industrial hazardous waste per year.



**Pollutant control:** We have formulated internal systems including *Regulations on the Management of Sewage*, *Waste Gas Emission and Noise Control*, *Management System of Waste Gas Equipment* and *Management Regulations on the Operation of VOCs Treatment Facilities* to standardize the management of sewage, waste gas and noise. Meanwhile, we have developed corresponding management actions, and have a qualified third-party institution annually monitor various indicators for the sewage, waste gas and noise in the production workshop and factory boundary, so as to guarantee the compliance of pollutant discharge.

**Waste management:** We have developed the *Measures for Control and Treatment of Pollution by Solid and Liquid Wastes*, the *Regulations on Waste Treatment Management* and the *Operation Guidelines for Hazardous Waste Treatment* and other management documents to improve the management of solid wastes, and properly sort and dispose of the solid wastes, so as to avoid major environmental impacts caused by operational activities. We regularly entrust professional institutions to inspect, monitor and control the management of workplace environment, solid waste and hazardous chemicals to ensure that the waste disposal complies with national and local standards.



## Product Innovation

Innovation is an everlasting driving force for TCL Industries. To provide customers with intelligent and convenient lifestyles, we manufacture smart products of outstanding quality and excellent service, by continuously promoting technological innovation and implanting intelligent factors into production and manufacturing.

### Developing Cutting-edge Products

To improve the product experience and provide a better lifestyle for customers, we advocate the application and transformation of innovative technology, continuously replace old products with new ones, and continuously optimize the product design.

#### Case Creating a smart home that understands your needs

We attach significance to the omni-scenario user experience provided by intelligent technological products and have introduced a full set of household appliances of TCL C12, with which smart household scenes, such as audio-visual entertainment, delicious cooking, intelligent security and healthy and fresh air, can be realized.

Besides TCL C12 quantum dot Mini LED smart screen enhanced by 228  $\mu\text{m}$ -level Mini LED chips, the smart screen connects with TCL C12 Rapid Cooling Smart Screen Refrigerator, an intelligent life steward known for its AI-based preservation capacity; TCL C12 Smart Screen Integrated Kitchen known for its “powerful screen and interesting cooking experience”, integrating the functions of four machines: kitchen ventilator, gas stove, steam box and oven; TCL C12 Dual Temperature and GentleCool Air-Conditioner known for its feature of “intelligent dual temperature control to bring you

spring wind experience”, which is realized by smart, healthy and gentle breeze; TCL C12 Smart FreshIN Air Conditioner, with a fresh air system to make indoor air fresh; TCL C12 Duplex Sorting Washing Machine, with two tubs (upper tub and bottom tub) for sorting, showing love and thoughtfulness; TCL C12 AI smart lock with cameras which is “visible and safer”, featuring visualization, intelligence and IoT connection; supper steward C12 Mini Smart Screen Switch known for AI-based whole-house interconnection.

The interactive integration of this set of products marks a clear departure from the traditional single connection mode between household products. It enables the seamless flow of information of the whole set, realizing interconnection wherever you move in the house and bringing users a perfectly omni-scenario intelligent lifestyle.



## Pushing forward Smart Manufacturing

We advocate smart manufacturing by introducing digital technology and automatic equipment to realize autonomous and efficient manufacturing transformation and upgrade.

### Introducing automatic equipment

We introduce automatic equipment to improve production efficiency and reduce the working intensity of employees. We have installed a series of automatic equipment such as evaporator automatic-cutting machines, automatic assembly and cabinet machines, and AGV automatic distribution to push forward automation transformation such as robotic operation and robotic visual inspection.

### Advancing digital management

Focusing on empowering the management level by digitalization, through the application of information systems such as the production information management system and warehouse management system, we can realize the automatic collection of production and operation data, centrally processing and managing the information of all links of production and manufacturing, automatically analyzing and tracing the source of abnormal problems in products, and thereby improving the management efficiency.

## Maintaining Quality and Safety

Excellent product quality is the constant pursuit and responsibility of TCL industries. With the craftsman spirit, we continuously improve quality management, to provide users with high quality, safe and reliable products, and meet users' pursuit of high quality.

We have established a sound quality management system, which clarifies the quality management regulations covering the whole life cycle of products such as product development, production, storage, logistics and after-sales service, strictly controls the product quality and provides users with high-quality products.

We attach importance to product safety, so we abide by relevant laws and regulations as well as domestic and foreign standards to assure that the products meet the safety requirements. The safety, energy efficiency and electromagnetic compatibility laboratory under TCL Electronics have been accredited by China National Accreditation Service for Conformity Assessment, and a complete quality system has been established to control strictly the product safety in accordance with the international standard ISO/IEC 17025 *General Requirements for the Competence of Testing and Calibration Laboratories*.

## Improving User Experience

TCL Industries is committed to providing users with satisfactory service experiences. We pay constant attention to users' opinions and feedback, actively smoothen our communication channels with users, and analyze users' demands as an important basis for improvement of our service capability and quality. Meanwhile, we put premium on the assurance of users' rights and interests and promise users adherence to responsible marketing and elimination of false publicity.

## Ecological Harmony

TCL Industries adheres to the “people-oriented” principle, always pays attention to the protection of employees’ rights and interests, builds a scientific training system and diverse development channels, and creates a safe, healthy, warm and harmonious working environment for employees. At the same time, we actively promote supply chain management, perform social responsibility, and join hands with all parties to build a harmonious society.

### Employee Rights and Interests

TCL Industries continues to focus on attracting and discovering talent and creating a respectful, inclusive, diverse and positive working atmosphere for all employees to build a passionate, creative and sustainable talent development team.

**Equal employment:** We constantly optimize our internal human resources management system, introduce talent through various channels such as campus recruitment, social recruitment and school-enterprise cooperation, and have formulated the *Recruitment Management Procedures* to firmly eliminate discriminatory acts on grounds of gender, age, religion, nationality, or any other factor when recruiting employees and arranging jobs.

**Protection of rights and interests:** We attach importance to the basic rights and interests of our employees and have formulated the *Employee Handbook* to protect the legitimate rights and interests of our employees in remuneration, benefits, promotion and leave, etc. We strictly manage the labor hours of our employees, resolutely eliminate forced labor and continue to build harmonious labor relations. We conduct regular market remuneration surveys to ensure that our remuneration levels are competitive in the market, and have established a remuneration structure covering fixed salaries for positions, performance bonuses and medium- and long-term incentives to ensure that the employee remuneration reflects the position value and personal contribution. In addition, we provide various welfare guarantees for our employees. In addition to basic benefits such as five social insurances and one housing fund and paid annual leave, we also provide eligible employees with company welfare allowances such as commercial insurance, communication subsidies and computer subsidies, as well as internal benefits such as commuter bus service, staff dormitory accommodation and holiday welfare and gifts.

**Safety and health:** TCL Industries always treats the health and safety of employees as the top priority and ensures the constant and effective implementation of occupational health and safety and emergency management. We care for the physical and mental health of our employees and provide them with comprehensive health management care and services.



TCL Communication launches Mental Health Day

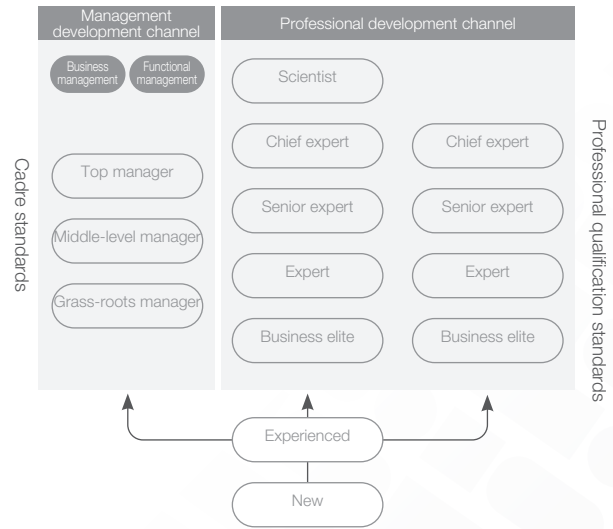


Tonly Technology launches “Two Cancers” screening for female employee

## Development and training

TCL Industries values the growth and development of employees, constantly improves the talent training system and provides employees with diverse career development channels and equal promotion mechanisms, supplying employees with nutrient-rich soil for growth. In strict accordance with the *Employee Handbook*, we provide multi-dimensional development channels for our employees in profession, technology and management area. Every year, we identify key positions and key talents through the talent pool, develop a talent echelon through talent selection and training mechanisms, and cultivate a talent team with an international vision, professional quality and professionalism through effective talent development channels.

In order to match the skills and expertise of our employees with the Company's development needs, we implement various talent development and employee training programs to help them explore their potential and create greater value with the Company.



Employee Career Development Channels and Promotion Model

### Case Super A Special Trainee Program

The Super A Special Trainee is a strategic talent development program that seeks students with excellent backgrounds and high performance from the student recruitment pool and with five years of continuous training, each business division conducts targeted competency enhancement training according to the characteristics of the industry and job to help the trainees to become management or professional reserve talent with high potential. In 2021, there were 1,500 available courses for Super A Special Trainee in total, with 1,010 training sessions.



## Employee Care

We appreciate the dedication of our employees and care for their work and lives. We have established a mutual aid fund, carried out caring activities such as holiday celebrations and employee birthday parties to provide sympathy and care for them, and organized various and wonderful recreational activities such as team building, interest associations and talk shows to enrich the lives of employees.



TCL Communications Table Tennis Association Activities



Employee Birthday Party of Tonly Technology



TCL Financial Service Walking Challenge



TCL Talk Show

### Case TCL Electronics supports employees in difficulty

TCL Electronics carries out employee support activities and strives to protect their basic living condition. In order to improve the living conditions of employees in difficulty, we have launched a love fund-raising activity for employees in June 2021, with a total of 683 people donating a total amount of RMB65,215 and a total of RMB35,000 to four employees whose families were in difficulties throughout the year.

## Responsible Supply

TCL Industries continuously improves the whole-procedure management system of suppliers, clarifies the whole life cycle management of supplier development, admission, assessment and exit, and regularly trains and empowers suppliers to improve the quality of supply and achieve win-win development with suppliers.

**Standardize supplier management:** We have established a comprehensive supplier management system and formulated the *Supplier Introduction and Elimination Management Procedure*, *Supplier Evaluation Management Regulations* and other policies to comprehensively standardize the whole procedure management of supplier introduction, evaluation and exit.

**Promote responsible procurement:** We focus on sustainability in procurement, actively promote supply chain risk assessment and conflict minerals management, and promote the construction of responsible supply chains together with upstream and downstream partners of the industry chain to fulfill our social and environmental responsibilities.



## Public Welfare

TCL Industries is committed to transmitting positive social energy by actively participating in public welfare undertakings. It focuses on investment in education, children with difficulties, community development and anti-pandemic and disaster relief, gives back to society with practical actions and strives to become a helper in realizing people's aspirations for a better life.

### Case Launch of 3<sup>rd</sup> phase of "Eagle Story Club" and "Xiaoxue Music Classes"

In 2021, the third batch of pilot schools for "Eagle" Story Club and "Xiaoxue Music Class" of TCL Foundation was officially established. With the official establishment of the third batch of pilot schools, the coverage of "Eagle" Story Club was further expanded to 14 rural pilot schools in 9 provinces, with a total of 50 Eagle story boxes distributed. The Eagle storytelling machine was used to select appropriate stories to gather children in storytelling sessions to popularize famous literary tales from the past and present, bringing quality educational resources and opportunities to over 2,000 rural students.

By 2021, the "Xiaoxue Music Class" has been launched in 13 schools in 10 provinces across China, with a total of 50 Xiaoxue music boxes distributed and more than 3,000 students covered, allowing students to contact with and appreciate classic songs in a more vivid way through interactive music appreciation, online music classes and music knowledge quizzes, and using the power of music to help students grow up healthy and happy.



### "Promote Public Welfare to Jointly Protect Children" – Care for Special Children

In 2021, we collaborated with the Special Children's Painting Studio to care for special children with intellectual disabilities, autism and Down's syndrome by donating RMB60,000 to purchase adaptive sports training courses and supporting training kits for special children based on the number of steps walked by employees. At the same time, we invited special children to paint on the theme of TCL's 40th anniversary and held a charity painting exhibition and charity sale at the Company to call for public attention to special children.



## Voluntary Tree Planting Activities

On the afternoon of Arbor Day on March 12, 2021, more than 50 volunteers from Tonly Technology came to Fenghe Park in Huizhou City, Guangdong Province to carry out the 2021 10<sup>th</sup> Tonly Volunteer Tree Planting – “Planting Trees, Greening Tonly”, calling on people to participate in environmental protection and attach importance to ecological balance.



## Donation of Supplies to the Anti -COVID-19 Supplies-pandemic Front Line

In June 2021, the COVID-19 pandemic broke out again in some areas of Guangzhou City, Guangdong Province. Guangzhou TCL Internet Microcredit Co., Ltd. of the Company urgently collected electric fans, mineral water and disposable mackintoshes for frontline workers in the fight against the pandemic through the Guangzhou Yuexiu District Peace Promotion Federation, providing them with a refreshing break from the summer heat and contributing to the pandemic prevention and control.



For more information, please refer to the Corporate Social Responsibility Report of TCL Industries in 2021



# Financial Report

The background of the page is a light gray gradient. It features a series of overlapping, semi-transparent rectangular shapes that create a sense of depth and movement. These shapes are arranged in a way that suggests a grid or a series of windows, with some appearing to be in the foreground and others receding into the distance. The overall effect is clean, modern, and professional.

# Financial Report

TCL Industries Holdings Co., Ltd.

## Consolidated Financial Report (Note)

(From January 1, 2021 to December 31, 2021)

I. Contents of Financial Report		Page
1.	Consolidated Balance Sheet	42
2.	Consolidated Income Statement	44
3.	Consolidated Cash Flow Statement	45

Note: Financial data is disclosed in this report based on Chinese accounting standards and audited by Da Hua Certified Public Accountants (Special General Partnership).

## Consolidated Balance Sheet

RMB1,000

Assets	Closing Balance	Beginning Balance
Current assets		
Monetary assets	15,516,629	12,130,850
Held-for-trading financial assets	2,308,329	2,332,236
Derivative financial assets	351,498	613,961
Notes receivable	1,102,574	3,230,010
Accounts receivable	16,575,714	14,125,739
Receivables financing	1,968,873	1,229,553
Prepayments	1,023,637	1,343,103
Other receivables	5,174,444	7,804,861
Inventories	16,988,028	15,097,641
Contract assets	154,703	1,499
Other current assets	6,247,338	2,706,561
Total current assets	67,411,767	60,616,014
Non-current assets		
Loans and advances to customers	1,357,518	–
Debt investments	–	244,185
Long-term receivables	87,882	–
Long-term equity investments	2,942,556	2,249,861
Investments in other equity instruments	1,353,147	266,773
Other non-current financial assets	2,824,298	836,575
Investment property	5,944,567	4,189,725
Fixed assets	6,026,393	4,867,928
Construction-in-progress	955,789	1,438,506
Right-of-use assets	1,160,139	838,351
Intangible assets	1,782,741	1,250,237
Development expenditures	304,275	247,887
Goodwill	2,852,817	1,635,940
Long-term deferred expenses	506,545	405,735
Deferred income tax assets	508,001	388,842
Other non-current assets	357,822	180,508
Total non-current assets	28,964,490	19,041,053
Total assets	96,376,257	79,657,067

Legal

Representative: DU JuanCEO: DU JuanCFO: HU Dien Chien

## Consolidated Balance Sheet (continued)

RMB1,000

Liabilities and shareholders' equity	Closing Balance	Beginning Balance
Current liabilities		
Short-term borrowings	14,375,095	7,126,861
Held-for-trading financial liabilities	12,861	6,505
Derivative financial liabilities	18,673	153,274
Notes payable	6,756,867	4,178,638
Accounts payable	23,363,728	24,628,823
Advances from customers	–	–
Contract liabilities	3,299,963	2,777,514
Remunerations payable	2,765,011	2,668,877
Taxes and surcharges payable	755,852	666,950
Other payables	13,415,640	10,825,647
Non-current liabilities maturing within one year	1,467,516	4,633,886
Other current liabilities	1,507,246	1,168,452
Total current liabilities	67,738,452	58,835,427
Non-current liabilities		
Long-term borrowings	9,491,407	3,849,917
Lease liabilities	916,460	737,040
Long-term payables	40,685	50,192
Deferred income	103,492	162,633
Deferred tax liabilities	515,487	542,678
Other non-current liabilities	61,092	145,660
Total non-current liabilities	11,128,623	5,488,120
Total liabilities	78,867,075	64,323,547
Owner's equity (or shareholders' equity):		
Capital stock	3,225,000	3,225,000
Capital reserves	–	1,374,913
Other comprehensive income	(483,968)	(92,019)
Surplus reserves	82,378	93,370
Retained earnings	3,241,507	1,862,618
Total equity attributable to owners of the parent company	6,064,917	6,463,882
Minority interests	11,444,265	8,869,638
Total owner's equity	17,509,182	15,333,520
Total liabilities and owner's equity	96,376,257	79,657,067

Legal  
Representative: DU Juan

CEO: DU Juan

CFO: HU Dien Chien

## Consolidated Income Statement

RMB1,000

	Amount for Current Period	Amount for Prior Period
I. Total revenue	105,641,242	89,191,252
Less: Costs of sales	87,564,894	72,189,612
Taxes and surcharges	577,092	500,597
Selling expenses	8,177,291	8,686,764
Administrative expenses	4,370,469	3,496,725
R&D expenses	3,660,636	3,096,449
Financial expenses	666,344	739,505
Of which: Interest expenses	904,994	794,806
Interest income	585,095	529,401
Plus: Other income	673,870	652,654
Return on investment	3,819,502	1,699,915
Of which: Share of profit or loss of joint ventures and associates	175,710	(24,052)
Gain on changes in fair value	259,143	404,950
Credit impairment losses	(121,112)	(96,137)
Asset impairment losses	(656,530)	(226,098)
Income from asset disposal	42,550	(3,048)
II. Operating profit	4,641,939	2,913,836
Plus: Non-operating income	78,548	87,774
Less: Non-operating expenditures	86,351	57,117
III. Gross profit	4,634,136	2,944,493
Less: Income tax expenses	419,636	526,062
IV. Net profit	4,214,500	2,418,431
Classification by ownership		
Net profit attributable to owners of the parent company	1,951,575	1,217,883
Net profit attributable to non-controlling interests	2,262,925	1,200,548
Classification by business continuity		
Net profit from continuing operations	2,235,961	2,145,130
Net profit from discontinued operations	1,978,539	273,301

Legal Representative: DU Juan CEO: DU Juan CFO: HU Dien Chien

## Consolidated Cash Flow Statement

RMB1,000

	Amount for Current Period	Amount for Prior Period
I. Cash flow generated from operating activities:		
Proceeds from sale of commodities and rendering of services	108,780,355	89,223,341
Tax and levy rebates	4,321,055	3,729,219
Cash generated from other operating activities	1,611,706	852,253
Subtotal of cash generated from operating activities	114,713,116	93,804,813
Payments for commodities and services	93,678,986	71,481,489
Cash paid to and for employees	10,528,659	8,154,380
Taxes and surcharges paid <sup>→</sup>	2,061,278	2,084,800
Cash used in other operating activities	8,223,337	6,831,058
Subtotal of cash used in operating activities	114,492,260	88,551,727
Net cash generated from operating activities	220,856	5,253,086
II. Cash flow generated from investment activities:		
Proceeds from disinvestments	18,343,249	25,584,410
Proceeds from return on investments	531,200	281,673
Net proceeds from disposal of fixed assets, intangible assets and other long-term assets	58,186	130,619
Net proceeds from disposal of subsidiaries and other business units	1,170,351	1,146,482
Cash generated from other investing activities	1,628,574	[•]
Subtotal of cash generated from investment activities	21,731,560	27,143,184
Payments for the acquisition and construction of fixed assets, intangible assets and other long-term assets	3,037,839	2,852,571
Payments for investments	20,342,861	27,120,648
Net payments for acquiring subsidiaries and other business units	1,131,891	182,726
Cash used in other investing activities	454,446	-
Subtotal of cash used in investing activities	24,967,037	30,155,945
Net cash used in investing activities	(3,235,477)	(3,012,761)

Legal  
Representative: DU Juan

CEO: DU Juan

CFO: HU Dien Chien

## Consolidated Cash Flow Statement (continued)

RMB1,000

	Amount for Current Period	Amount for Prior Period
III. Cash flow generated from financing activities:		
Capital contributions received	959,006	450,604
Of which: Capital contributions by non-controlling interests to subsidiaries	959,006	450,604
Borrowings raised	32,769,167	20,473,303
Cash generated from other financing activities	3,699,319	45,393
Subtotal of cash generated from financing activities	37,427,492	20,969,300
Cash paid for debt repayment	24,607,307	20,546,582
Cash paid for distribution of dividends and profits or payment of interests	2,243,017	1,478,646
Of which: Dividends and profits paid by subsidiaries to minority shareholders	728,271	277,017
Other cash paid in relation to financing activities	6,402,058	170,745
Subtotal of cash used in financing activities	33,252,382	22,195,973
Net cash generated from financing activities	4,175,110	(1,226,673)
IV. Effect of exchange rate changes on cash and cash equivalents	151,890	494,248
V. Net increase of cash and cash equivalents	1,312,379	1,507,900
Plus: Beginning balance of cash and cash equivalents	11,800,995	10,293,095
VI. Closing balance of cash and cash equivalents	13,113,374	11,800,995

Legal  
Representative: DU Juan

CEO: DU Juan

CFO: HU Dien Chien

# Definition and Exchange Rate



## Definition and Exchange Rate

Term	means	Definition
Company, the Company, TCL Industries	means	TCL Industries Holdings Co., Ltd.
TCL Electronics	means	TCL Electronics Holdings Limited, a subsidiary of the Company listed on the HKSE, stock code: 01070.HK
TCL Air-Conditioners	means	TCL Air-Conditioner (Zhongshan) Co., Ltd.
TCL White Household Appliances	means	TCL Household Electric Appliance (Hefei) Co., Ltd.
Tonly Technology	means	Tonly Technology Co., Ltd.
TCL Environmental Technology	means	TCL Environmental Technology Co., Ltd.
TCL Industrial Park	means	TCL Technology Industrial Park Co., Ltd.
Getech	means	Getech Technology Co., Ltd.
TCL Financial Service	means	TCL Financial Service Holding Group (Guangzhou) Co., Ltd.
Zhonghuan Semiconductor	means	Tianjin Zhonghuan Semiconductor Co., Ltd.
Falcon Network Technology	means	Shenzhen Falcon Network Technology Co., Ltd.
Wankezi Intelligent Control	means	Guangdong Wankezi Intelligent Control Technology Co., Ltd.
Homa Appliances	means	Guangdong Homa Appliances Co., Ltd., a subsidiary of the Company listed on the SZSE, stock code: 002668.SZ
TCL CSOT	means	TCL China Star Optoelectronics Technology Co., Ltd.
TCL Home Appliances	means	TCL Home Appliances Group Co., Ltd.
TCL Technology	means	TCL Technology Group Corporation
TCL Microchip Technology	means	TCL Microchip Technology (Guangdong) Limited.
Moxing Semiconductor	means	Moxing Semiconductor (Guangdong) Co., Ltd.
Moxun Semiconductor	means	Moxun Semiconductor Technology (Shanghai) Co., Ltd.
Tianjin Huanxin	means	Tianjin Huanxin Technology & Development Co., Ltd.
Xinxin Retail Fund II	means	Jiangsu Xinxin Retail Innovation Fund II (Limited Partnership)
Suning.com	means	Suning.com Group Co., Ltd.
Suning Group	means	Suning Holdings Group Co. Ltd.
Moka International	means	Moka International Limited
Yuecai Industry Investment	means	Guangdong Yuecai Industry Investment Fund Partnership (Limited Partnership)
Guangdong Rongchuang	means	Guangdong Rongchuang Lingyue Intelligent Manufacturing and Information Technology Industry Equity Investment Fund Partnership (Limited Partnership)
Wuhan Optics Valley Venture Capital	means	Wuhan Optics Valley Venture Capital Equity Investment Fund Partnership (Limited Partnership)
Huatuo Zhiying	means	Gongqingcheng Huatuo Zhiying Wuhao Equity Investment Partnership (Limited Partnership)
JDH Technology	means	JDH Information Technology (Zhuhai) Co., Ltd.
TCL Communication	means	TCL Communication Technology Holdings Limited

## Exchange Rate

RMB/HKD	2021	2020
Average rate	0.8294	0.8888
Closing rate	0.8176	0.8417

# TCL

Address: 9/F, TCL Electronics Tower, Building D4, TCL International E City, 1001  
Zhongshanyuan Road, Nanshan District, Shenzhen City

Tel: 4008-123456

Email: 4008123456@tcl.com

[www.tcl.com](http://www.tcl.com)