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## TCL ELECTRONICS HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)  
Stock code: 01070

INTERIM REPORT 2019



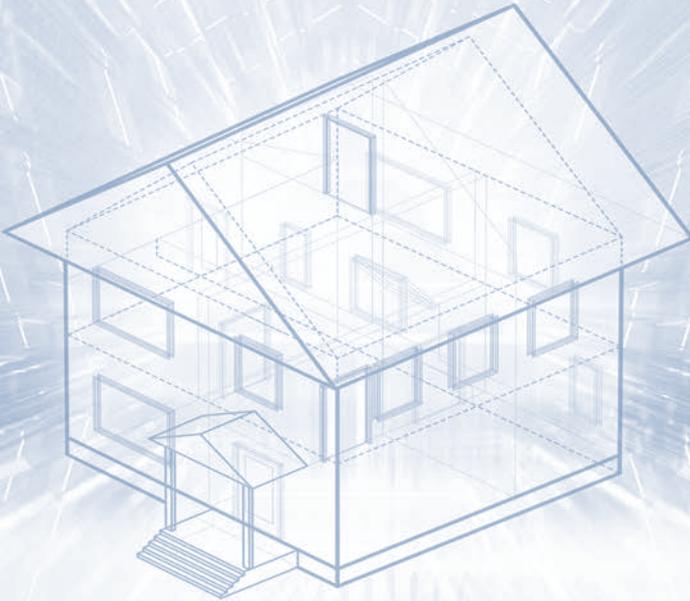
# TCL ELECTRONICS HOLDINGS LIMITED

INTERIM REPORT 2019



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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Mr. LI Dongsheng (Chairman)  
Mr. WANG Cheng Kevin (CEO)  
Mr. YAN Xiaolin  
Mr. WANG Yi Michael

#### Non-executive Directors

Mr. Albert Thomas DA ROSA, Junior  
Mr. LI Yuhao  
Mr. YANG Anming (appointed as a non-executive  
Director with effect from 10 January 2019)  
Mr. HUANG Xubin (resigned as a non-executive  
Director with effect from 10 January 2019)

#### Independent Non-executive Directors

Mr. Robert Maarten WESTERHOF  
Dr. TSENG Shieng-chang Carter  
Professor WANG Yijiang  
Mr. LAU Siu Ki

### COMPANY SECRETARY

Ms. CHOY Fung Yee, Solicitor, Hong Kong

### AUDITOR

Ernst & Young  
Certified Public Accountants  
22/F, CITIC Tower  
1 Tim Mei Avenue  
Central, Hong Kong

### LEGAL ADVISOR

Cheung Tong & Rosa Solicitors  
Room 501, 5/F  
Sun Hung Kai Centre  
30 Harbour Road  
Wanchai, Hong Kong

### PRINCIPAL REGISTRAR

SMP Partners (Cayman) Limited  
3rd Floor, Royal Bank House  
24 Shedden Road  
P.O. Box 1586  
Grand Cayman  
KY1-1110  
Cayman Islands

### BRANCH REGISTRAR

Tricor Tengis Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

### PRINCIPAL OFFICE

7th Floor, Building 22E  
22 Science Park East Avenue  
Hong Kong Science Park  
Shatin, New Territories  
Hong Kong

### REGISTERED OFFICE

P.O. Box 309  
Ugland House  
Grand Cayman  
KY1-1104  
Cayman Islands

### INVESTOR AND MEDIA RELATIONS

Hong Kong Zhixin Financial News Agency Limited  
Suite 2402, Kingkey Timemark  
No. 9289 Binhe Road  
Futian District, Shenzhen  
China

## INTERIM RESULTS

The board (the “Board”) of directors (“Director(s)”) of TCL Electronics Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results and financial position of the Company and its subsidiaries (collectively, the “Group”) for the six months and three months ended 30 June 2019 with comparative figures for the previous periods as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Six months ended 30 June		Three months ended 30 June	
		2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000
TURNOVER	4	<b>22,724,403</b>	21,050,481	<b>10,151,889</b>	10,197,356
Cost of sales		<b>(19,000,457)</b>	(17,830,324)	<b>(8,328,098)</b>	(8,696,413)
Gross profit		<b>3,723,946</b>	3,220,157	<b>1,823,791</b>	1,500,943
Other revenue and gains		<b>1,168,219</b>	486,453	<b>942,895</b>	343,612
Selling and distribution expenses		<b>(2,284,732)</b>	(2,040,690)	<b>(1,069,934)</b>	(1,017,471)
Administrative expenses		<b>(608,373)</b>	(603,042)	<b>(279,405)</b>	(209,277)
Research and development costs		<b>(462,313)</b>	(292,083)	<b>(234,287)</b>	(144,846)
Other operating expenses		<b>(4,340)</b>	–	<b>(608)</b>	–
Impairment on financial assets, net		<b>(17,159)</b>	(8,830)	<b>(5,756)</b>	(8,990)
Finance costs	6	<b>1,515,248</b>	761,965	<b>1,176,696</b>	463,971
Share of profits and losses of:		<b>(73,009)</b>	(25,868)	<b>(29,890)</b>	(12,184)
Joint ventures		<b>6,318</b>	637	<b>4,643</b>	1,400
Associates		<b>14,240</b>	24,015	<b>(3,203)</b>	14,057
PROFIT BEFORE TAX	7	<b>1,462,797</b>	760,749	<b>1,148,246</b>	467,244
Income tax	8	<b>(94,245)</b>	(189,253)	<b>(49,648)</b>	(144,253)
PROFIT FOR THE PERIOD		<b>1,368,552</b>	571,496	<b>1,098,598</b>	322,991

**INTERIM RESULTS****CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
(continued)**

	Six months ended 30 June		Three months ended 30 June	
	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000
OTHER COMPREHENSIVE INCOME/(LOSS)				
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:				
Cash flow hedge:				
Effective portion of changes in fair value of the hedging instruments arising during the period	<b>6,038</b>	26,661	<b>(5,436)</b>	31,931
Reclassification adjustments for gains included in the consolidated statement of profit or loss	<b>(13,116)</b>	(7,656)	<b>(8,205)</b>	(18,899)
	<b>(7,078)</b>	19,005	<b>(13,641)</b>	13,032
Exchange differences:				
Translation of foreign operations	<b>(86,828)</b>	(116,963)	<b>(213,112)</b>	(351,863)
Reclassification adjustments for foreign operations liquidated during the period	<b>1,656</b>	-	-	-
Reclassification adjustments for associates disposed of during the period	<b>377</b>	-	-	-
	<b>(84,795)</b>	(116,963)	<b>(213,112)</b>	(351,863)
Financial assets at fair value through other comprehensive income:				
Changes in fair value, net of income tax	<b>9,539</b>	-	<b>9,539</b>	-
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	<b>(82,334)</b>	(97,958)	<b>(217,214)</b>	(338,831)

## INTERIM RESULTS

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)

	Note	Six months ended 30 June		Three months ended 30 June	
		2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:					
Equity investments designated at fair value through other comprehensive income:					
Changes in fair value, net of income tax		(1,217)	(5,878)	(1,217)	(5,878)
Share of other comprehensive income/(loss) of associates		(1,506)	1,665	(1,738)	1,665
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods		(2,723)	(4,213)	(2,955)	(4,213)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX		(85,057)	(102,171)	(220,169)	(343,044)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		1,283,495	469,325	878,429	(20,053)
Profit/(loss) attributable to:					
Owners of the parent		1,362,015	571,958	1,088,168	323,539
Non-controlling interests		6,537	(462)	10,430	(548)
		1,368,552	571,496	1,098,598	322,991
Total comprehensive income/(loss) attributable to:					
Owners of the parent		1,285,168	470,297	876,067	(16,378)
Non-controlling interests		(1,673)	(972)	2,362	(3,675)
		1,283,495	469,325	878,429	(20,053)
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT					
Basic	10	HK60.01 cents	HK26.72 cents		
Diluted		HK58.70 cents	HK26.00 cents		

**INTERIM RESULTS****CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	30 June 2019 (unaudited) HK\$'000	31 December 2018 (audited) HK\$'000
<i>Note</i>		
NON-CURRENT ASSETS		
Property, plant and equipment	<b>1,367,529</b>	1,347,073
Right-of-use assets	<b>291,339</b>	–
Prepaid land lease payments	–	154,123
Investment properties	<b>130,105</b>	128,079
Goodwill	<b>1,872,847</b>	781,962
Other intangible assets	<b>172,078</b>	111,102
Investments in joint ventures	<b>24,531</b>	18,801
Investments in associates	<b>1,100,829</b>	1,412,601
Equity investments designated at fair value through other comprehensive income	<b>126,563</b>	128,770
Deferred tax assets	<b>88,819</b>	101,737
Other deferred assets	<b>45,253</b>	46,011
<b>Total non-current assets</b>	<b>5,219,893</b>	4,230,259
CURRENT ASSETS		
Inventories	<b>5,027,270</b>	6,982,733
Trade receivables	<b>5,110,619</b>	4,881,560
Bills receivable	<b>2,770,244</b>	2,360,909
Prepayments, other receivables and other assets	<b>2,608,240</b>	2,900,251
Tax recoverable	<b>79,122</b>	74,802
Financial assets at fair value through profit or loss	<b>576,062</b>	–
Derivative financial instruments	<b>30,205</b>	7,268
Cash and bank balances	<b>6,817,998</b>	6,741,976
<b>Total current assets</b>	<b>23,019,760</b>	23,949,499
Non-current assets classified as held for sale	–	21,445
<b>Total current assets</b>	<b>23,019,760</b>	23,970,944

## INTERIM RESULTS

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

		30 June 2019 (unaudited) HK\$'000	31 December 2018 (audited) HK\$'000
	<i>Notes</i>		
<b>CURRENT LIABILITIES</b>			
Trade payables	12	<b>7,323,463</b>	9,801,922
Bills payable		<b>2,887,397</b>	1,613,794
Other payables and accruals		<b>4,973,432</b>	5,151,507
Interest-bearing bank and other borrowings	13	<b>856,605</b>	1,093,987
Lease liabilities		<b>81,369</b>	–
Tax payable		<b>69,082</b>	56,423
Derivative financial instruments		<b>35,204</b>	22,177
Provisions		<b>597,638</b>	589,091
<b>Total current liabilities</b>		<b>16,824,190</b>	18,328,901
<b>NET CURRENT ASSETS</b>		<b>6,195,570</b>	5,642,043
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>11,415,463</b>	9,872,302
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	13	–	20,540
Lease liabilities		<b>56,299</b>	–
Deferred tax liabilities		<b>48,565</b>	44,472
Other long-term payables		<b>27,662</b>	27,725
<b>Total non-current liabilities</b>		<b>132,526</b>	92,737
<b>Net assets</b>		<b>11,282,937</b>	9,779,565
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Issued capital	14	<b>2,360,555</b>	2,335,494
Reserves		<b>8,589,994</b>	7,443,827
<b>Non-controlling interests</b>		<b>10,950,549</b>	9,779,321
		<b>332,388</b>	244
<b>Total equity</b>		<b>11,282,937</b>	9,779,565

## INTERIM RESULTS

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent													Total (unaudited) HK\$'000	Non- controlling interests (unaudited) HK\$'000	Total equity (unaudited) HK\$'000	
	Issued capital (unaudited) HK\$'000	Share premium account (unaudited) HK\$'000	Share option reserve (unaudited) HK\$'000	Capital reserve (unaudited) HK\$'000	Reserve funds (unaudited) HK\$'000	Hedging reserve (unaudited) HK\$'000	Exchange fluctuation reserve (unaudited) HK\$'000	Fair value reserve (unaudited) HK\$'000	Other reserve (unaudited) HK\$'000	Shares held for the Award Scheme (unaudited) HK\$'000	Awarded share reserve (unaudited) HK\$'000	Retained profits (unaudited) HK\$'000					
At 1 January 2018																	
As previously reported	1,747,633	4,611,230	207,570	57,762	913,405	(8,941)	123,906	-	10,541	(208,197)	105,975	67,842	7,628,724	67,793	7,696,517		
Change in accounting policy	-	-	-	-	-	-	-	13,454	-	-	-	-	13,454	-	13,454		
As restated	1,747,633	4,611,230	207,570	57,762	913,405	(8,941)	123,906	13,454	10,541	(208,197)	105,975	67,842	7,642,178	67,793	7,709,971		
Profit/(loss) for the period	-	-	-	-	-	-	-	-	-	-	-	571,958	571,958	(462)	571,496		
Other comprehensive income/(loss) for the period:																	
Cash flow hedge	-	-	-	-	-	19,005	-	-	-	-	-	-	19,005	-	19,005		
Exchange differences related to Translation of foreign operations	-	-	-	-	-	-	(116,453)	-	-	-	-	-	(116,453)	(510)	(116,963)		
Change in fair value of equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	-	(5,878)	-	-	-	-	(5,878)	-	(5,878)		
Share of other comprehensive income of an associate	-	-	-	-	-	-	-	-	1,665	-	-	-	1,665	-	1,665		
Total comprehensive income/(loss) for the period	-	-	-	-	-	19,005	(116,453)	(5,878)	1,665	-	-	571,958	470,297	(972)	469,325		
Equity-settled share option arrangements	-	-	46,558	-	-	-	-	-	-	-	-	-	46,558	-	46,558		
Issue of shares upon exercise of share options	3,211	12,358	(4,592)	-	-	-	-	-	-	-	-	-	10,977	-	10,977		
Share options forfeited during the period	-	-	(7,345)	-	-	-	-	-	-	-	-	7,345	-	-	-		
Subscription of rights issue shares	582,544	1,418,400	-	-	-	-	-	-	-	-	-	-	2,000,944	-	2,000,944		
Employee share-based compensation benefits under the Award Scheme	-	-	-	-	-	-	-	-	-	-	33,322	-	33,322	-	33,322		
Vesting of shares under the Award Scheme	-	-	-	-	-	-	-	-	-	10,306	(18,354)	-	(8,028)	-	(8,028)		
Purchase of shares for the Award Scheme	-	-	-	-	-	-	-	-	-	(30,536)	-	-	(30,536)	-	(30,536)		
2017 final dividend paid	-	(340,373)	-	-	-	-	-	-	-	-	-	-	(340,373)	-	(340,373)		
Share of other reserve of associates	-	-	-	-	-	-	-	-	1,882	-	-	-	1,882	-	1,882		
At 30 June 2018	2,333,388	5,701,615	242,193	57,762	913,405	10,064	7,453	7,576	14,088	(228,427)	120,963	647,743	9,827,221	66,821	9,894,042		

INTERIM RESULTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

	Attributable to owners of the parent													Non-controlling interests (unaudited) HK\$'000	Total equity (unaudited) HK\$'000
	Issued capital (unaudited) HK\$'000	Share premium account (unaudited) HK\$'000	Share option reserve (unaudited) HK\$'000	Capital reserve (unaudited) HK\$'000	Reserve funds (unaudited) HK\$'000	Cash flow hedge reserve (unaudited) HK\$'000	Exchange fluctuation reserve (unaudited) HK\$'000	Fair value reserve (unaudited) HK\$'000	Other reserve (unaudited) HK\$'000	Shares held for the Award Scheme (unaudited) HK\$'000	Awarded share reserve (unaudited) HK\$'000	Retained profits (unaudited) HK\$'000	Total (unaudited) HK\$'000		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
At 1 January 2019	2,335,494	5,488,776	277,231	84,275	910,635	1,773	(240,794)	(7,667)	22,911	(243,269)	158,321	991,635	9,779,321	244	9,779,565
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	1,362,015	1,362,015	6,537	1,368,552
Other comprehensive income/(loss) for the period:															
Cash flow hedge	-	-	-	-	-	(7,078)	-	-	-	-	-	-	(7,078)	-	(7,078)
Exchange differences related to:															
Translation of foreign operations	-	-	-	-	-	-	(78,618)	-	-	-	-	-	(78,618)	(8,210)	(86,828)
Reclassification adjustments for foreign operations liquidated during the period	-	-	-	-	-	-	1,656	-	-	-	-	-	1,656	-	1,656
Reclassification adjustments for associates disposed of during the period	-	-	-	-	-	-	377	-	-	-	-	-	377	-	377
Change in fair value of financial assets at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	-	9,539	-	-	-	-	9,539	-	9,539
Change in fair value of equity investments designated at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	-	(1,217)	-	-	-	-	(1,217)	-	(1,217)
Share of other comprehensive loss of associates	-	-	-	-	-	-	-	-	(1,506)	-	-	-	(1,506)	-	(1,506)
Total comprehensive income/(loss) for the period	-	-	-	-	-	(7,078)	(76,385)	8,322	(1,506)	-	-	1,362,015	1,285,168	(1,673)	1,283,495
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	(8,613)	-	-	-	(8,613)	324,864	316,251
Capital injection from non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	8,524	8,524
Share option schemes and long term incentive plans of subsidiaries	-	-	-	-	-	-	-	-	644	-	-	-	644	429	1,073
Equity-settled share option arrangements	-	-	19,769	-	-	-	-	-	-	-	-	-	19,769	-	19,769
Issue of shares upon exercise of share options	25,061	98,390	(37,036)	-	-	-	-	-	-	-	-	-	86,415	-	86,415
Forfeiture of share options during the period	-	-	(15,901)	-	-	-	-	-	-	-	-	15,901	-	-	-
Employee share-based compensation benefits under the Award Scheme	-	-	-	-	-	-	-	-	-	-	17,001	-	17,001	-	17,001
Vesting of shares under the Award Scheme	-	-	-	-	-	-	-	-	-	23,720	(29,109)	-	(5,389)	-	(5,389)
Purchase of shares for the Award Scheme	-	-	-	-	-	-	-	-	(9,647)	-	-	-	(9,647)	-	(9,647)
2018 final dividend paid	-	(214,120)	-	-	-	-	-	-	-	-	-	-	(214,120)	-	(214,120)
Transfer from retained profits	-	-	-	-	176	-	-	-	-	-	-	(176)	-	-	-
At 30 June 2019	2,360,555	5,373,046*	244,063*	84,275*	910,811*	(5,305)*	(317,379)*	655*	13,436*	(229,196)*	146,213*	2,369,375*	10,950,549	332,388	11,282,937

\* These reserve accounts comprise the consolidated reserves of HK\$8,589,994,000 (31 December 2018: HK\$7,443,827,000) in the consolidated statement of financial position.

**INTERIM RESULTS****CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	Note	Six months ended 30 June	
		2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations		<b>787,520</b>	428,781
Interest paid		<b>(53,020)</b>	(25,868)
Interest element of lease payments		<b>(3,417)</b>	–
Income taxes paid		<b>(88,419)</b>	(207,201)
Net cash flows from operating activities		<b>642,664</b>	195,712
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of items of property, plant and equipment		<b>(129,163)</b>	(35,623)
Proceeds from disposal of items of property, plant and equipment		<b>3,133</b>	406,982
Acquisition of subsidiaries	15	<b>501,786</b>	–
Investments in associates		<b>(18,989)</b>	(11,769)
Proceeds from disposal of associates		<b>46,638</b>	–
Purchases of financial assets at fair value through profit or loss		<b>(4,899,186)</b>	–
Purchases of financial assets at amortized cost		<b>(579,100)</b>	–
Proceeds from disposal of financial assets at fair value through profit or loss		<b>4,321,686</b>	–
Proceeds from disposal of financial assets at amortized cost		<b>580,944</b>	–
Other investing cash flows, net		<b>73,145</b>	43,972
Net cash flows from/(used in) investing activities		<b>(99,106)</b>	403,562

## INTERIM RESULTS

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

	Six months ended 30 June	
	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares upon exercise of share options	86,415	10,977
Purchases of shares for the Award Scheme	(9,647)	(30,536)
New bank and other loans	2,341,206	1,226,219
Repayment of bank and other loans	(2,597,016)	(3,677,655)
Proceeds from Rights Issue	–	2,000,944
Dividends paid	(214,120)	(340,373)
Principal portion of lease payments	(35,862)	–
Other financing cash flows, net	(16,572)	(2,159)
Net cash flows used in financing activities	(445,596)	(812,583)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of period	6,741,976	5,910,235
Effect of foreign exchange rate changes, net	(21,940)	(41,257)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	6,817,998	5,655,669
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	6,817,998	5,655,669

## INTERIM RESULTS

Notes:

### 1. BASIS OF PREPARATION

These unaudited interim condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2018.

The accounting policies and the basis of preparation adopted in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those adopted in the Group’s annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance, except for the adoption of the revised HKFRSs as disclosed in note 2 below.

These unaudited interim condensed consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments and certain financial assets which are measured at fair value. These unaudited interim condensed consolidated financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

**INTERIM RESULTS****2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new and revised HKFRSs effective as of 1 January 2019.

Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
HKFRS 16	<i>Leases</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
Annual Improvements 2015–2017 Cycle	<i>Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>

Other than as explained below regarding the impact of HKFRS 16 *Leases*, the adoption of other new and revised HKFRSs have had no significant financial effect on the preparation of the Group's unaudited interim condensed consolidated financial information. The nature and impact of the new and revised HKFRSs are described below:

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

## INTERIM RESULTS

### 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

#### New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standalone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

#### As a lessee – Leases previously classified as operating leases

##### *Nature of the effect of adoption of HKFRS 16*

The Group has lease contracts for various items of land and buildings, motor vehicles and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognize and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognize right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., laptop computers and telephones); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognizes the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

## INTERIM RESULTS

### 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

#### As a lessee – Leases previously classified as operating leases (continued)

##### *Impacts on transition*

Lease liabilities at 1 January 2019 were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019.

The right-of-use assets were measured at the amount of the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognized in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the consolidated statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease
- Applied a single discount rate to a portfolio of lease with reasonably similar characteristics
- Excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application

**INTERIM RESULTS****2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)**

As a lessee – Leases previously classified as operating leases (continued)

*Impacts on transition (continued)*

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	<b>Increase/ (decrease)</b> (unaudited) <i>HK\$'000</i>
<b>Assets</b>	
Increase in right-of-use assets	334,890
Decrease in prepaid land lease payments	(157,145)
Decrease in prepayments, other receivables and other assets	(2,726)
Increase in total assets	<u>175,019</u>
<b>Liabilities</b>	
Increase in lease liabilities	<u>175,019</u>
Increase in total liabilities	<u>175,019</u>

## INTERIM RESULTS

### 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

As a lessee – Leases previously classified as operating leases (continued)

*Impacts on transition (continued)*

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	(unaudited) HK\$'000
<b>Operating lease commitments as at 31 December 2018</b>	206,166
Less: Value-added tax ("VAT") recognized in commitments	(7,694)
<b>Operating lease commitments excluded VAT as at 31 December 2018</b>	198,472
Weighted average incremental borrowing rate as at 1 January 2019	4.72%
Discounted operating lease commitments as at 1 January 2019	186,443
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	(11,424)
<b>Lease liabilities as at 1 January 2019</b>	175,019

## INTERIM RESULTS

### 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

#### Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

#### *Right-of-use assets*

Right-of-use assets are recognized at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realizable value in accordance with the Group's policy for "inventories". The cost of right-of-use assets includes the amount of lease liabilities recognized and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

#### *Lease liabilities*

Lease liabilities are recognized at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

## INTERIM RESULTS

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Amounts recognized in the unaudited interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movement during the period are as follow:

	Right-of-use assets			Sub-total	Lease liabilities
	Land and buildings	Motor vehicles	Other equipment		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>As at 1 January 2019</b>	332,042	2,686	162	334,890	175,019
Additions	3,429	406	–	3,835	4,084
Lease modification	(5,560)	–	–	(5,560)	(5,305)
Depreciation charge	(40,410)	(595)	(18)	(41,023)	–
Interest expense	–	–	–	–	3,417
Payments	–	–	–	–	(39,279)
Exchange realignment	(783)	(20)	–	(803)	(268)
<b>As at 30 June 2019</b>	288,718	2,477	144	291,339	137,668

The Group recognized rental expenses from short-term leases of HK\$25,317,000 for the six months ended 30 June 2019.

## INTERIM RESULTS

### 3. ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these unaudited interim condensed consolidated financial statements.

Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>3</sup></i>
HKFRS 17	<i>Insurance Contracts<sup>2</sup></i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material<sup>1</sup></i>
Amendments to HKFRS 3	<i>Definition of a Business<sup>1</sup></i>
Revised Conceptual Framework	<i>Revised Conceptual Framework for Financial Reporting<sup>1</sup></i>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2020

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>3</sup> No mandatory effective date yet determined but available for adoption

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

### 4. TURNOVER

An analysis of revenue is as follows:

	<b>Six months ended 30 June</b>	
	<b>2019</b>	<b>2018</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Revenue from contracts with customers</b>		
Sale of goods	<b>22,494,952</b>	21,050,481
Rendering of services	<b>229,451</b>	–
	<b>22,724,403</b>	21,050,481

## INTERIM RESULTS

## 4. TURNOVER (continued)

Disaggregated revenue information for revenue from contracts with customers

**For the six months ended 30 June 2019**

Segments	Television ("TV") and other products (unaudited) <i>HK\$'000</i>	Internet business (unaudited) <i>HK\$'000</i>	Total (unaudited) <i>HK\$'000</i>
<b>Type of goods or services</b>			
Sale of goods	22,494,725	227	22,494,952
Video-on-demand, advertising and others	-	229,451	229,451
Total revenue from contracts with customers	<b>22,494,725</b>	<b>229,678</b>	<b>22,724,403</b>
<b>Geographical markets</b>			
Mainland China	7,733,656	133,655	7,867,311
Europe	980,561	-	980,561
North America	6,333,731	14,807	6,348,538
Emerging markets	3,560,126	81,216	3,641,342
Others	3,886,651	-	3,886,651
Total revenue from contracts with customers	<b>22,494,725</b>	<b>229,678</b>	<b>22,724,403</b>
<b>Timing of revenue recognition</b>			
Goods transferred at a point in time	22,494,725	227	22,494,952
Services transferred over time	-	229,451	229,451
Total revenue from contracts with customers	<b>22,494,725</b>	<b>229,678</b>	<b>22,724,403</b>

**INTERIM RESULTS****4. TURNOVER (continued)**

Disaggregated revenue information for revenue from contracts with customers (continued)

For the six months ended 30 June 2018

Segments	TV and other products (unaudited) <i>HK\$'000</i>
<b>Type of goods or services</b>	
Sale of goods	21,050,481
<b>Geographical markets</b>	
Mainland China	8,804,244
Europe	994,507
North America	4,014,122
Emerging markets	3,180,455
Others	4,057,153
Total revenue from contracts with customers	21,050,481
<b>Timing of revenue recognition</b>	
Goods transferred at a point in time	21,050,481

## INTERIM RESULTS

## 4. TURNOVER (continued)

Disaggregated revenue information for revenue from contracts with customers (continued)

Set out below is the reconciliation of the revenue from contracts with customers to the amounts disclosed in the segment information:

## For the six months ended 30 June 2019

Segments	TV and other products (unaudited) <i>HK\$'000</i>	Internet business (unaudited) <i>HK\$'000</i>	Total (unaudited) <i>HK\$'000</i>
<b>Revenue from contracts with customers</b>			
External customers	22,494,725	229,678	22,724,403
Intersegment sales	899,530	5,554	905,084
<hr/>			
Intersegment adjustments and eliminations	23,394,255 (899,530)	235,232 (5,554)	23,629,487 (905,084)
<hr/>			
Total revenue from contracts with customers	22,494,725	229,678	22,724,403

## For the six months ended 30 June 2018

Segments	TV and other products (unaudited) <i>HK\$'000</i>
<b>Revenue from contracts with customers</b>	
External customers	21,050,481
Intersegment sales	1,798,082
<hr/>	
Intersegment adjustments and eliminations	22,848,563 (1,798,082)
<hr/>	
Total revenue from contracts with customers	21,050,481

## INTERIM RESULTS

### 5. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on their geographical TV segments and other product types and has three reportable operating segments as follows:

- (a) TV segment - manufacture and sale of TV sets in:
  - TCL brand – the People’s Republic of China (“PRC”) market;
  - TCL brand – the overseas markets; and
  - original design manufacturer (“ODM”) business;
- (b) Internet business segment – advertising, value-added, video-on-demand and membership cards; and
- (c) Others segment – comprises smart audio-visual (“Smart AV”), smart home solutions and products and other businesses, including manufacture and sale of TV related components, sale of white goods, mobile phones and air conditioners.

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group’s profit before tax except that finance costs, interest income, share of profits and losses of joint ventures and associates as well as head office and corporate income and expenses are excluded from such measurement.

Certain reportable operating segments have been restated as the management believes that the information regarding the restated segments would be useful to the users of the unaudited interim condensed consolidated financial statements.

## INTERIM RESULTS

## 5. OPERATING SEGMENT INFORMATION (continued)

Information regarding these reportable segments, together with their related comparative information, is presented below.

	Six months ended 30 June											
	TV						Internet business		Others <sup>***</sup>		Consolidated	
	TCL brand - the PRC market			TCL brand - overseas markets			ODM business					
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Sales to external customers	<b>6,217,984</b>	7,307,634	<b>10,768,357</b>	8,127,189	<b>5,183,602</b>	5,516,358	<b>229,678*</b>	-	<b>324,782</b>	99,300	<b>22,724,403</b>	21,050,481
Segment results	<b>11,486</b>	246,014	<b>440,620</b>	189,754	<b>161,901</b>	182,247	<b>97,149*</b>	-	<b>(53,767)</b>	11,848	<b>657,389</b>	629,863
Corporate income, net											<b>804,139**</b>	104,213
Finance costs											<b>(73,009)</b>	(25,868)
Interest income											<b>53,720</b>	27,889
Share of profits and losses of:												
Joint ventures	<b>(6)</b>	-	<b>6,324</b>	637	-	-	-	-	-	-	<b>6,318</b>	637
Associates	<b>10,504</b>	13,252	<b>(11,154)</b>	(7,330)	-	-	<b>13,257</b>	14,450	<b>1,633</b>	3,643	<b>14,240</b>	24,015
Profit before tax											<b>1,462,797</b>	760,749
Income tax											<b>(94,245)</b>	(189,253)
Profit for the period											<b>1,368,552</b>	571,496

\* Shenzhen Falcon Network Technology Co., Ltd.\* (深圳市雷鳥網絡科技有限公司) ("Falcon Network Technology") and its subsidiaries ("Falcon Network Technology Group") has been consolidated into the Group's financial statements since April 2019, therefore its turnover and operating results of the first quarter have been excluded.

\*\* Included a one-off gain of HK\$787 million on fair value remeasurement of 44.44% pre-existing equity interest in Falcon Network Technology Group.

\*\*\* Smart AV and smart home products segments have been reclassified to others segment for better decision making of management.

**INTERIM RESULTS****6. FINANCE COSTS**

	Six months ended 30 June	
	2019	2018
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Interest on:		
Bank and other loans	<b>65,621</b>	22,883
Discounted bills receivable from an associate	<b>3,971</b>	2,985
Interest expense on lease liabilities	<b>3,417</b>	–
<b>Total</b>	<b>73,009</b>	25,868

**7. PROFIT BEFORE TAX**

The Group's profit before tax is arrived at after charging:

	Six months ended 30 June	
	2019	2018
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	<b>95,718</b>	110,197
Depreciation of investment properties	<b>1,623</b>	1,441
Depreciation of right-of-use assets	<b>41,023</b>	–
Amortization of other intangible assets	<b>10,008</b>	50
Amortization of prepaid land lease payments	–	1,809
Employee share-based compensation benefits under the Award Scheme	<b>14,946</b>	27,734
Equity-settled share option expense	<b>17,663</b>	41,077

## INTERIM RESULTS

## 8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (30 June 2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	Six months ended 30 June	
	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000
Current – Hong Kong		
Charge for the period	–	99
Overprovision in prior periods	(53)	–
Current – Elsewhere		
Charge for the period	77,784	122,776
Underprovision in prior periods	6,693	47,461
Deferred	9,821	18,917
	<hr/>	<hr/>
Total tax charge for the period	94,245	189,253

## 9. DIVIDENDS

	Six months ended 30 June	
	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000
Interim dividend – HK10.56 cents (30 June 2018: HK9.80 cents) per ordinary share	249,275	228,672

**INTERIM RESULTS****10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT**

The calculations of the basic and diluted earnings per share are based on:

	<b>Six months ended 30 June</b>	
	<b>2019</b>	<b>2018</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>

**Earnings**

Profit attributable to ordinary equity holders  
of the parent, used in the basic and diluted  
earnings per share calculations

**1,362,015**                      571,958

	<b>Number of shares</b>	
	<b>Six months ended 30 June</b>	
	<b>2019</b>	<b>2018</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>

**Shares**

Weighted average number of ordinary shares in issue less  
shares held for Award Scheme during the period used  
in the basic earnings per share calculation

**2,269,633,346**                      2,140,939,199

Effect of dilution – weighted average number of  
ordinary shares:

Share options

**10,441,904**                      9,275,525

Awarded shares

**40,054,289**                      49,676,629

Weighted average number of ordinary shares in  
issue during the period used in the diluted  
earnings per share calculation

**2,320,129,539**                      2,199,891,353

**11. TRADE RECEIVABLES**

The majority of the Group's sales in the PRC were mainly made on the cash-on-delivery basis or on commercial bills guaranteed by banks within credit periods ranging from 30 to 90 days. For overseas sales, the Group usually requires settlement by letters of credit with tenures ranging from 90 to 180 days. Sales to certain long term strategic customers were made on the open-account basis with credit terms of no more than 180 days.

In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable. Trade receivables are non-interest-bearing.

## INTERIM RESULTS

## 11. TRADE RECEIVABLES (Continued)

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2019 (unaudited) HK\$'000	31 December 2018 (audited) HK\$'000
Current to 90 days	<b>4,547,712</b>	4,399,290
91 to 180 days	<b>184,400</b>	237,704
181 to 365 days	<b>149,026</b>	69,285
Over 365 days	<b>418,348</b>	356,183
	<b>5,299,486</b>	5,062,462
Impairment allowance	<b>(188,867)</b>	(180,902)
	<b>5,110,619</b>	4,881,560

Included in the Group's trade receivables are receivables to be factored of HK\$48,910,000 (31 December 2018: HK\$126,162,000), which are classified as financial assets at fair value through profit or loss. The remaining trade receivables with gross carrying amount of HK\$5,250,576,000 (31 December 2018: HK\$4,936,300,000) are measured at amortized cost.

## 12. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on invoice date, is as follows:

	30 June 2019 (unaudited) HK\$'000	31 December 2018 (audited) HK\$'000
Current to 90 days	<b>6,283,526</b>	6,622,392
91 to 180 days	<b>722,753</b>	2,789,680
181 to 365 days	<b>14,884</b>	287,580
Over 365 days	<b>302,300</b>	102,270
	<b>7,323,463</b>	9,801,922

The trade payables are non-interest-bearing and are normally settled within credit periods ranging from 30 to 120 days.

**INTERIM RESULTS****13. INTEREST-BEARING BANK AND OTHER BORROWINGS**

	<b>30 June</b> <b>2019</b> <b>(unaudited)</b> <b>HK\$'000</b>	31 December 2018 (audited) HK\$'000
<b>Current</b>		
Bank loans – unsecured	<b>769,563</b>	610,864
Trust receipt loans – unsecured	<b>87,042</b>	483,123
	<b>856,605</b>	1,093,987
<b>Non-current</b>		
Other loans	–	20,540
	<b>856,605</b>	1,114,527
Analyzed into:		
Bank and other loans repayable:		
Within one year or on demand	<b>856,605</b>	1,093,987
In the second year	–	20,540
	<b>856,605</b>	1,114,527

*Notes:*

- (a) As at 30 June 2019, the carrying amounts of the Group's bank and other borrowings approximated to their fair values.
- (b) TCL Corporation ("TCL Corporation") has guaranteed certain of the Group's bank loans up to HK\$227,320,000 (31 December 2018: HK\$20,540,000) as at the end of the reporting period.

## INTERIM RESULTS

## 14. SHARE CAPITAL

	<b>30 June</b> <b>2019</b> <b>(unaudited)</b> <b>HK\$'000</b>	31 December 2018 (audited) HK\$'000
Authorized:		
3,000,000,000 (31 December 2018: 3,000,000,000) shares of HK\$1.00 each	<b>3,000,000</b>	3,000,000
Issued and fully paid:		
2,360,555,117 (31 December 2018: 2,335,493,874) shares of HK\$1.00 each	<b>2,360,555</b>	2,335,494

During the six months ended 30 June 2019, the subscription rights attaching to 253,806, 110,022, 21,560,816, 2,866,260 and 270,339 share options were exercised at the subscription prices of HK\$4.4834, HK\$4.3860, HK\$3.3918, HK\$3.7329 and HK\$3.5700 per share, respectively, resulting in the issue of an aggregate of 25,061,243 shares of HK\$1.00 each for a total cash consideration of HK\$86,415,000 before expenses.

## 15. BUSINESS COMBINATIONS

**Acquisition of equity interest in Falcon Network Technology Group**

On 23 January 2019, the Group entered into a sale and purchase agreement with Shenzhen Qianhai Fende Industries Investment Company Limited\* (深圳市前海芬德實業投資有限公司) ("Qianhai Fende"), an independent third party, pursuant to which the Group agreed to acquire an additional 15.56% equity interest in Falcon Network Technology, a former 44.44% owned associate of the Group, at the consideration of RMB420,120,000 (equivalent to approximately HK\$489,776,000). Falcon Network Technology Group are principally engaged in research and development ("R&D") of software on smart TV devices and platform operation. The transaction was completed on 22 March 2019 and Falcon Network Technology became a 60% owned subsidiary of the Group since then.

This equity transfer was considered as a business combination achieved in stages. The Group accordingly remeasured the fair value of its previously held equity interest in Falcon Network Technology Group at the step acquisition date and recognized a gain of HK\$787,394,000 in profit or loss for the period ended 30 June 2019.

The Group has elected to measure the non-controlling interest in Falcon Network Technology Group at the non-controlling interest's proportionate share of Falcon Network Technology Group's identifiable net assets.

**INTERIM RESULTS****15. BUSINESS COMBINATIONS (continued)****Acquisition of equity interest in Falcon Network Technology Group (continued)**

The fair values of the identifiable assets and liabilities of Falcon Network Technology Group as at the date of acquisition are as follows:

	<b>Fair value recognized on acquisition HK\$'000</b>
Property, plant and equipment	842
Other intangible assets	73,011
Investment in a joint venture	2,856
Inventories	8,401
Trade receivables	128,077
Prepayments and other receivables	24,000
Cash and bank balances	700,895
Trade payables	(27,233)
Tax payable	(9,113)
Other payables and accruals	(81,378)
Deferred tax liabilities	(8,200)
<hr/>	
Total identifiable net assets at fair value	812,158
Non-controlling interest	(324,864)
Fair value of 44.44% equity interest held immediately before the step acquisition	(1,119,055)
Goodwill on acquisition	1,121,537
<hr/>	
	489,776

**INTERIM RESULTS****15. BUSINESS COMBINATIONS (continued)****Acquisition of equity interest in Falcon Network Technology Group (continued)**

Satisfied by:

	<i>HK\$'000</i>
Cash	199,109
Other receivables	290,667
	<hr/> 489,776

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to HK\$128,077,000 and HK\$24,000,000 respectively. The gross contractual amounts of trade receivables and other receivables were HK\$128,077,000 and HK\$24,000,000, respectively.

Included in the goodwill of HK\$1,121,537,000 recognized above is mainly expected synergies which are not recognized separately. None of the goodwill recognized is expected to be deductible for income tax purposes.

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	<i>HK\$'000</i>
Cash consideration	(199,109)
Cash and bank balances acquired	700,895
	<hr/>
Net inflow of cash and cash equivalents included in cash flows from investing activities	501,786

Since the completion of the acquisition, Falcon Network Technology Group contributed HK\$133,655,000 to the Group's revenue and HK\$39,419,000 to the consolidated profit for the period ended 30 June 2019.

Had the combination taken place at the beginning of the period, the revenue from continuing operations and the consolidated profit of the Group for the period ended 30 June 2019 would have been HK\$22,834,108,000 and HK\$1,398,381,000, respectively.

**INTERIM RESULTS****16. RELATED PARTY TRANSACTIONS**

(a) The Group had the following material transactions with related parties during the period:

	<b>Six months ended 30 June</b>	
	<b>2019</b> <b>(unaudited)</b> <b>HK\$'000</b>	<b>2018</b> <b>(unaudited)</b> <b>HK\$'000</b>
Joint ventures:		
Sales of finished goods	<b>166,273</b>	139,073
After-sale service income	<b>696</b>	528
Associates:		
Interest income	<b>19,951</b>	24,271
Interest expense	<b>3,971</b>	2,985
Other finance service fees	<b>32</b>	77
Purchases of raw materials	<b>33,953</b>	34,413
Purchases of finished goods	<b>–</b>	4,122
Sales of finished goods	<b>794,715</b>	603,080
Sales of raw materials	<b>1,162</b>	–
IT and other service fees	<b>7,955</b>	–
Companies controlled by TCL Corporation:		
Sales of raw materials	<b>47,390</b>	27,837
Sales of finished goods	<b>1,301,782</b>	2,266,977
Purchases of raw materials	<b>4,461,584</b>	5,723,124
Purchases of finished goods	<b>119,747</b>	378
Subcontracting income	<b>6</b>	260
Rental, maintenance income and facilities usage income	<b>4,639</b>	4,454
Rental expense and licence fee	<b>10,897</b>	6,876
Reimbursement of brand advertising costs	<b>112,020</b>	226,520
Reimbursement of research and development and rental expenses	<b>56,412</b>	41,994
After-sale service income	<b>21,032</b>	13,025
After-sale service fee	<b>72,923</b>	123,724
Promotion fee income	<b>1,760</b>	4,061
Platform service fee	<b>332</b>	–
Other service income	<b>43,447</b>	–

## INTERIM RESULTS

## 16. RELATED PARTY TRANSACTIONS (continued)

- (a) The Group had the following material transactions with related parties during the period:  
(continued)

	Six months ended 30 June	
	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000
Associates of TCL Corporation:		
Purchases of raw materials	<b>348,865</b>	391,053
Sales of finished goods	<b>58,715</b>	394
Sales of raw materials	<b>804</b>	536
Logistics service fee expense	<b>128,828</b>	185,845
After-sales service fee	<b>4,058</b>	–
Rental income	<b>502</b>	643
Companies controlled by TCL Industries Holdings Co., Ltd. ("TCL Holdings"):		
Sales of raw materials	<b>10,750</b>	–
Sales of finished goods	<b>457,389</b>	–
Purchases of raw materials	<b>17,470</b>	–
Purchases of finished goods	<b>76,471</b>	–
Rental, maintenance income and facilities usage income	<b>2,843</b>	–
Rental expense	<b>5,071</b>	–
Right-of-use assets	<b>53,034</b>	–
After-sale service income	<b>53</b>	–
After-sale service fee	<b>83,467</b>	–
Platform service fee	<b>2,549</b>	–
Other service income	<b>6,716</b>	–
Associates of TCL Holdings:		
Purchases of raw materials	<b>283,208</b>	–
Sales of finished goods	<b>28,907</b>	–
Sales of raw materials	<b>34</b>	–
Logistics service fee expense	<b>68,315</b>	–
Rental income	<b>503</b>	–
Rental expense	<b>299</b>	–
Other related parties:		
Sales of finished goods	<b>219,236</b>	–

**INTERIM RESULTS****16. RELATED PARTY TRANSACTIONS (continued)**

(b) Outstanding balances with related parties

	Due from related parties		Due to related parties	
	30 June 2019 (unaudited) <i>HK\$'000</i>	31 December 2018 (audited) <i>HK\$'000</i>	30 June 2019 (unaudited) <i>HK\$'000</i>	31 December 2018 (audited) <i>HK\$'000</i>
Joint ventures	<b>67,918</b>	55,548	<b>279</b>	–
Associates	<b>359,338</b>	219,982	<b>6,378</b>	16,051
TCL Corporation and its affiliates	<b>207,440</b>	1,095,355	<b>1,362,589</b>	2,661,800
TCL Holdings and its affiliates	<b>697,761</b>	–	<b>514,803</b>	–
Other related parties	<b>237,431</b>	–	<b>1,326</b>	–
A substantial shareholder	–	–	–	1,332

## INTERIM RESULTS

## 17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 June 2019 (unaudited) HK\$'000	31 December 2018 (audited) HK\$'000	30 June 2019 (unaudited) HK\$'000	31 December 2018 (audited) HK\$'000
<b>Financial assets</b>				
Equity investments designated at fair value through other comprehensive income	126,563	128,770	126,563	128,770
Accounts receivable classified as financial assets at fair value through profit or loss	48,910	126,162	48,910	126,162
Bills receivable	2,770,244	2,360,909	2,770,244	2,360,909
Financial assets at fair value through profit or loss	576,062	–	576,062	–
Derivative financial instruments	30,205	7,268	30,205	7,268
	<b>3,551,984</b>	2,623,109	<b>3,551,984</b>	2,623,109
<b>Financial liabilities</b>				
Derivative financial instruments	35,204	22,177	35,204	22,177
Interest-bearing bank borrowings	856,605	1,114,527	856,605	1,104,989
Other long-term payables	27,662	27,725	24,823	24,309
	<b>919,471</b>	1,164,429	<b>916,632</b>	1,151,475

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade and bills payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals, amounts due from/to related companies, amount due to the ultimate holding company, loans from associates and interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

## INTERIM RESULTS

### 17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee of the Company ("Audit Committee"). At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the Audit Committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 30 June 2019 and 31 December 2018 was assessed to be insignificant.

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted equity investments designated at fair value through other comprehensive income, which were previously classified as available-for-sale equity investments, have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the Directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and calculates an appropriate price multiple, such as enterprise value to earnings before interest, taxes, depreciation and amortisation ("EV/EBITDA") multiple and price to earnings ("P/E") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The Directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

## INTERIM RESULTS

### 17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with AAA credit ratings. Derivative financial instruments, including forward currency contracts, foreign currency swaps and interest rate swaps, are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The carrying amounts of forward currency contracts, foreign currency swaps and interest rate swaps are the same as their fair values.

As at 30 June 2019 and 31 December 2018, the marked to market value of the derivative asset position was net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationship and other financial instruments recognised at fair value.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 30 June 2019 and 31 December 2018:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investments	Valuation multiples	Average EV/EBIT multiple of peers	30 June 2019: 4.1x to 7.2x (31 December 2018: 3.2x to 6.0x)	5% (31 December 2018: 5%) increase in multiple would result in increase in fair value by HK\$5,254,000 (31 December 2018: increase in fair value by HK\$5,355,000)
		Average EV/S multiple of peers	30 June 2019: 0.3x to 7.6x (31 December 2018: 0.3x to 6.8x)	5% (31 December 2018: 5%) increase in multiple would result in increase in fair value by HK\$555,000 (31 December 2018: increase in fair value by HK\$344,000)
		Average P/S multiple of peers	30 June 2019: 2.7x to 4.1x (31 December 2018: 1.4x to 4.1x)	5% (31 December 2018: 5%) increase in multiple would result in increase in fair value by HK\$519,000 (31 December 2018: increase in fair value by HK\$226,000)

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

**INTERIM RESULTS****17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)****Fair value hierarchy**

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

*Assets measured at fair value:*

**As at 30 June 2019**

	Fair value measurement using			Total (unaudited) HK\$'000
	Quoted prices in active markets (Level 1) (unaudited) HK\$'000	Significant observable inputs (Level 2) (unaudited) HK\$'000	Significant unobservable inputs (Level 3) (unaudited) HK\$'000	
Equity investments designated at fair value through other comprehensive income	-	-	<b>126,563</b>	<b>126,563</b>
Accounts receivable classified as financial assets at fair value through profit or loss	-	<b>48,910</b>	-	<b>48,910</b>
Bills receivable	-	<b>2,770,244</b>	-	<b>2,770,244</b>
Financial assets at fair value through profit or loss	-	<b>576,062</b>	-	<b>576,062</b>
Derivative financial instruments	-	<b>30,205</b>	-	<b>30,205</b>
	-	<b>3,425,421</b>	<b>126,563</b>	<b>3,551,984</b>

**INTERIM RESULTS****17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)****Fair value hierarchy (continued)***Assets measured at fair value: (continued)*

As at 31 December 2018

	Fair value measurement using			Total (audited) HK\$'000
	Quoted prices in active markets (Level 1) (audited) HK\$'000	Significant observable inputs (Level 2) (audited) HK\$'000	Significant unobservable inputs (Level 3) (audited) HK\$'000	
Equity investments designated at fair value through other comprehensive income	–	–	128,770	128,770
Accounts receivable classified as financial assets at fair value through profit or loss	–	126,162	–	126,162
Bills receivable	–	2,360,909	–	2,360,909
Derivative financial instruments	–	7,268	–	7,268
	–	2,494,339	128,770	2,623,109

**INTERIM RESULTS****17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)****Fair value hierarchy (continued)***Assets measured at fair value: (continued)*

The movements in fair value measurements within Level 3 during the period are as follows:

	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000
Equity investments at fair value through other comprehensive income – unlisted:		
At 1 January	<b>128,770</b>	122,808
Total losses recognised in other comprehensive income	<b>(1,217)</b>	(5,878)
Income tax effect	<b>(592)</b>	(1,437)
Exchange realignment	<b>(398)</b>	551
At 30 June	<b>126,563</b>	116,044

*Liabilities measured at fair value:***As at 30 June 2019**

	Fair value measurement using			Total (unaudited) HK\$'000
	Quoted prices in active markets (Level 1) (unaudited) HK\$'000	Significant observable inputs (Level 2) (unaudited) HK\$'000	Significant unobservable inputs (Level 3) (unaudited) HK\$'000	
Derivative financial instruments	-	<b>35,204</b>	-	<b>35,204</b>

## INTERIM RESULTS

## 17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

## Fair value hierarchy (continued)

*Liabilities measured at fair value: (continued)*

As at 31 December 2018

	Fair value measurement using			Total (audited) HK\$'000
	Quoted prices in active markets (Level 1) (audited) HK\$'000	Significant observable inputs (Level 2) (audited) HK\$'000	Significant unobservable inputs (Level 3) (audited) HK\$'000	
Derivative financial instruments	–	22,177	–	22,177

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2018: Nil).

*Liabilities for which fair value are disclosed:*

As at 30 June 2019

	Fair value measurement using			Total (unaudited) HK\$'000
	Quoted prices in active markets (Level 1) (unaudited) HK\$'000	Significant observable inputs (Level 2) (unaudited) HK\$'000	Significant unobservable inputs (Level 3) (unaudited) HK\$'000	
Other long-term payables	–	24,823	–	24,823

**INTERIM RESULTS****17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)***Liabilities for which fair value are disclosed: (continued)*

As at 31 December 2018

	Quoted prices in active markets (Level 1) (audited) HK\$'000	Fair value measurement using Significant observable inputs (Level 2) (audited) HK\$'000	Significant unobservable inputs (Level 3) (audited) HK\$'000	Total (audited) HK\$'000
Interest-bearing bank borrowings	–	1,104,989	–	1,104,989
Other long-term payables	–	24,309	–	24,309
	–	1,129,298	–	1,129,298

**18. EVENTS AFTER THE REPORTING PERIOD**

On 23 July 2019 (after trading hours), Falcon Network Technology entered into the Exclusive Business Co-operation Agreement, the Exclusive Purchase Right Agreement, the Equity Pledge Agreement, the Authorization Letters, the Confirmation Letters and the Spousal Consent Letters (collectively the "VIE Agreements") with Shenzhen Falcon Digital Entertainment Technology Co., Ltd.\* (深圳市雷鳥數字娛樂科技有限公司) (formerly known as Hawk Digital Entertainment Technology (Shenzhen) Co., Ltd.\*) (豪客數字娛樂科技(深圳)有限公司) (the "OPCO") and/or Mr. WANG Hao and Ms. ZHU Xiaojiang. Through the VIE Agreements, Falcon Network Technology will have effective control over the finance and operation of the OPCO and will enjoy the entire economic interests and benefits generated by the OPCO. Through the entering into of the VIE Agreements, the financial results of the OPCO will be consolidated into the consolidated financial statements of the Group and the OPCO would become an indirect subsidiary of the Company. The transaction was completed as at the date of approval of these condensed financial statements. Further details of this transaction are set out in the Company's announcement dated 23 July 2019.

## INTERIM RESULTS

### 18. EVENTS AFTER THE REPORTING PERIOD (continued)

On 12 August 2019 (after trading hours), TCL King Electrical Appliances (Chengdu) Company Limited\* (TCL王牌電器(成都)有限公司), an indirect wholly-owned subsidiary of the Company ("TCL King (Chengdu)") entered into the sale and purchase agreement (the "SPA") with Shenzhen China Star Optoelectronics Technology Co., Ltd.\* (深圳市華星光電技術有限公司) ("CSOT" or the "Purchaser"), pursuant to which, the Purchaser has conditionally agreed to acquire and TCL King (Chengdu) (as the seller) has conditionally agreed to sell the 14% equity interest in TCL Finance Co., Ltd.\* (TCL集團財務有限公司) held by TCL King (Chengdu) immediately prior to the entering into of the SPA at the consideration of approximately RMB255 million (equivalent to approximately HK\$290 million). The transaction was not yet completed as at the date of approval of these condensed financial statements. Further details of this transaction are set out in the Company's announcement dated 12 August 2019.

### 19. COMPARATIVE AMOUNTS

Certain comparative amounts have been restated to conform to current period's presentation and disclosures.

### 20. APPROVAL OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements were approved and authorized for issue by the Board on 28 August 2019.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW FOR THE SIX MONTHS ENDED 30 JUNE 2019

In 2019, both challenges and opportunities coexist in the TV industry. The Group is committed to providing smart and healthy living products and services to users worldwide and becoming a global fast-growing smart technology company with sustainable user operating revenue. By proactively propelling globalization, business diversification, R&D, and AI x IoT strategic transformation, together with the advantage of its leading position in the industry, the Group focused on developing smart TV, Internet services, smart home, Smart AV and commercial systems based on household and commercial scenarios. In the first half of the year, the Group maintained stable and rapid business growth, with a substantial increase in profits.

### **The Company's Global Business Scale Continued to Expand and the Sales Volume Remained No.2 in the Global TV Market**

In the first half of 2019, the Group's global TV sales volume again hit a new high of 15.53 million sets, up by 17.9% year-on-year, representing a market share of 14.3% (data source: Sigmaintell) and remained at No. 2 in the global TV market. Among which, the sales volume of TCL brand TV increased significantly by 33.1% year-on-year to 10.31 million sets, with its market share ranking No.3 in the global TV market (data source: IHS), further showing the global competitive advantage of TCL brand. According to GfK and NPD reports, the market share of TCL brand TV kept stable growth in many countries around the world and ranked among the top in 15 countries.

### **Profitability was Greatly Improved**

For the six months ended 30 June 2019, the Group recorded a turnover of HK\$22.72 billion, up by 8.0% year-on-year. The gross profit was HK\$3.72 billion, up by 15.7% year-on-year. As a result of the product mix optimization, gross profit margin increased by 1.1 percentage points to 16.4% year-on-year. By persisting in cost reduction and efficiency enhancement, the expense ratio of the Group remained stable at 12.7%. Having benefited from the overall efficiency improvement and the rapid growth of overseas and Internet businesses, the Group's profitability was greatly improved, with net profit after tax reaching HK\$1.37 billion, up by 139.8% year-on-year. Profit attributable to owners of the parent was HK\$1.36 billion (as a result of stronger operating capability and profitability, as well as increasing valuation of Falcon Network Technology Group, a one-off gain of HK\$787 million on the fair value remeasurement of 44.44% pre-existing equity interest in Falcon Network Technology Group held by the Group was included), up by 138.1% year-on-year. The operating net profit (profit attributable to owners of the parent after deducting one-time non-operating gain) had significantly increased by 32.9% to HK\$554 million, compared with HK\$417 million in the same period of last year. Basic earnings per share was HK60.01 cents and the basic earnings per share after deducting one-time non-operating gain was HK24.41 cents. The Board declared an interim dividend of HK10.56 cents per share, implying a dividend payout ratio of 45% based on profit attributable to owners of the parent after deducting one-time non-operating gain.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Development of High-end Products and Continuous Improvement of Product Mix

By adhering to cutting-edge display and intelligent technologies, the Group is committed to developing high-end and intelligent products. In 2019, sales volume of the Group's smart TVs and 4K TVs increased significantly by 31.8% and 52.5% year-on-year to 12.37 million sets and 5.75 million sets respectively. As large screen and smart function are becoming the new trend, sales volume of the Group's TVs of 65 inches and above significantly increased by 116.5% year-on-year. In the future, the Company will continuously increase its investment in R&D to develop global leading display technologies such as quantum dot, Mini LED and 8K, so as to further enhance its product competitiveness.

The Group's TV sales volume by region and the number of TCL Internet TV users during the period were as follows:

TV sales volume	2019 1H ('000 sets)	2018 1H ('000 sets)	Change
<b>Total</b>	<b>15,526</b>	13,173	+17.9%
– TCL brand TV in overseas markets	<b>7,073</b>	4,721	+49.8%
– TCL brand TV in the PRC market	<b>3,237</b>	3,027	+6.9%
– ODM business	<b>5,216</b>	5,425	(3.9%)
<b>Among which: Smart TVs</b>	<b>12,371</b>	9,383	+31.8%
<b>4K TVs</b>	<b>5,752</b>	3,773	+52.5%

	Accumulated number as of 30 June 2019	2019 1H	2018 1H	Change
<b>Number of global cumulative activated users<sup>(1)</sup></b>	<b>36,747,849</b>	<b>4,840,429</b>	3,817,734	+26.8%
<b>Average daily number of global active users<sup>(2) (3)</sup></b>	<b>N/A</b>	<b>17,065,266</b>	12,814,096	+33.2%

Notes:

- (1) The number of users who have used Internet TV web services once or more
- (2) The number of unrepeated individual users who have used the Internet TV services within seven days
- (3) Data as of June 2019

## MANAGEMENT DISCUSSION AND ANALYSIS

### PRODUCTS BUSINESS

#### – TCL Brand Business in Overseas Markets

#### ***Sales Scale Maintained Rapid Growth and Global Production Capacity Layout Achieved Remarkable Results***

#### ***Adhering to Global Brand Strategy, Sales Volume in Key Countries Continued to Grow at a High Speed***

The Group adheres to its global brand strategy. By actively exploring key overseas markets and optimizing product mix, the Group has now established a leading competitive advantage and overseas markets have become an important development engine for the Group. In the first half of 2019, the Group's sales volume in various regions in overseas markets maintained strong growth and the market share continued to increase:

- North American markets continued to consolidate and strengthen its leading position with TV sales volume rising strongly by 75.0% year-on-year in spite of the China-US trade dispute. In the first half of 2019, the market share of the Group in terms of TV sales volume ranked 2nd in the US market and jumped to No.1 in March (data source: NPD);
- Emerging markets maintained strong growth momentum, with TV sales volume up by 28.8% year-on-year, of which India (up by 216.8%), Indonesia (up by 109.5%), Argentina (up by 64.4%) and Russia (up by 52.0%) all achieved rapid growth. In the first half of 2019, the market share of the Group in terms of TV sales volume ranked 2nd in both Myanmar and Pakistan, 3rd in the Philippines, 4th in Australia, Vietnam and Thailand, and 5th in India (data source: GfK); and
- TV sales volume in the European markets rose by 20.7% year-on-year, with areas including France (up by 57.4%), Germany (up by 161.1%) and Italy (up by 196.9%) recording notable growth. In the first half of 2019, the market share of the Group in terms of TV sales volume ranked 3rd in France (data source: GfK).

## MANAGEMENT DISCUSSION AND ANALYSIS

**Significant Increase in Both Sales Volume and Turnover:** With its persistent efforts to penetrate into key overseas markets and continuous expansion in emerging markets, sales volume of the Group's TCL brand TV in overseas markets recorded significant growth of 49.8% year-on-year and reached 7.07 million sets in the first half of 2019. Turnover of TCL brand TV in overseas markets increased by 32.5% to HK\$10.77 billion year-on-year.

In the first half of 2019, the Group's sales volume of mid-to-high end TCL brand TV products in overseas markets continued to increase, alongside the Group's continuously optimizing product mix:

- The proportion of smart TV sales volume rose from 82.4% in the first half of 2018 to 88.2% in the first half of 2019;
- The proportion of 4K TV sales volume rose from 34.9% in the first half of 2018 to 43.6% in the first half of 2019;
- Sales volume of 65-inch and above TVs in the first half of 2019 increased by 204.1% year-on-year, compared with the same period of 2018; and
- The average size of TV sold increased from 41.3 inches in the first half of 2018 to 42.2 inches in the first half of 2019.

**Notable Growth in Profitability:** With the benefit of continuous optimized product mix, economies of scale, and advantages brought by the synergy of vertically integrated industrial chain, the gross profit margin of the Group's TCL brand TV in overseas markets rose by 1.0 percentage point to 15.1% in the first half of 2019. In the second quarter of 2019, the gross profit margin of its TCL brand TV in overseas markets rose remarkably by 3.3 percentage points sequentially to 17.1%. In the first half of 2019, profitability was greatly improved with the operating results of its TCL brand TV in overseas markets increasing significantly by 132.1% year-on-year.

### **Realizing Global Production Capacity Layout and Effectively Mitigating Potential Risks**

With global production capacity layout, besides China, the Group has factories in Mexico, Vietnam, Poland, India and South America, among which TCL India Intelligent Manufacturing Industrial Park was established jointly with CSOT (a subsidiary of TCL Corporation) in December 2018, with an annual production capacity of 6 million TV sets upon completion. The Group's total production capacity layout in overseas exceeds 15 million sets per year, which is sufficient to meet its shipment demand in the North American markets and can effectively mitigate potential risks of the China-US trade dispute. At the same time, the Group further implemented cost reduction and efficiency enhancement in order to improve operational efficiency, which provides strong support for the rapid development of its overseas business.

## MANAGEMENT DISCUSSION AND ANALYSIS

### – TCL Brand Business in the PRC Market

#### **Further Optimizing Product Mix and Improving Gross Profit Margin Quarter-on-quarter of Self-branded Products**

**Self-branded Products Increased Against the Industry Downward Trend:** By adhering to its premium products strategy, the Group continuously optimized its product mix and enhanced product competitiveness. According to CMM's omni-channel data, the overall TV sales volume in the PRC market decreased by 4.3% year-on-year in the first half of 2019. However, the Group's sales volume of TCL brand TV recorded a positive growth despite the downward trend in the industry of the PRC market, with sales volume up by 6.9% to 3.24 million sets year-on-year, among which the sales volume of super-large TVs over 65 inches increased significantly by 114.6%. The turnover reached HK\$6.22 billion.

**The Proportion of Online Sales Continued to Increase:** Through continuous optimization of sales channels in the PRC market, the proportion of the Group's online TCL brand TV in the first half of 2019 reached 37.7% of the total TCL brand TV sales volume in the PRC market, up by 2.7 percentage points from 35.0% in the same period last year.

**Gross Profit Margin Increased Steadily:** With the benefit of continuous product mix optimization, the gross profit margin of the Group's TCL brand TV in the PRC market in the first half of 2019 increased by 0.8 percentage point year-on-year to 24.3%. In the second quarter of 2019, the gross profit margin of TCL brand TV increased by 1.6 percentage points to 25.3% sequentially, representing a significant improvement from the first quarter.

The product structure of the Group's TCL brand TV in the PRC market continued to optimize in the first half of 2019:

- The proportion of smart TV sales volume rose from 81.5% in the first half of 2018 to 83.4% in the first half of 2019;
- The proportion of 4K TV sales volume rose from 53.2% in the first half of 2018 to 58.0% in the first half of 2019;
- In the first half of 2019, the sales volume of super-large TVs over 65 inches increased by 114.6%, compared with the same period of 2018;

## MANAGEMENT DISCUSSION AND ANALYSIS

- The average size of TV sold increased from 47.1 inches in the first half of 2018 to 47.6 inches in the first half of 2019;
- The market share of curved TVs reached 34.7%, the Group remained as No.1 in the PRC market (data source: CMM's omni-channel data); and
- In the first half of 2019, the average selling price of TCL brand TV ranked top 2 among the Chinese first-tier brands in both online and offline sales channels in the PRC market (data source: CMM's online and offline report).

Due to the fierce competition in the PRC market, the operating results of TCL brand TV business in the PRC market decreased in the first half of 2019. In the second half of the year, by focusing on its core strategy of product mix optimization, operating efficiency improvement and increasing market share, the Group will persist in developing its mid-to-high end products, increasing the proportion of high-margin products and optimizing its channel structure so as to improve its operating results.

### – ODM Business

In recent years, the Group's ODM business has been developing steadily with its shipment ranking among the top in the global market. In the first half of 2019, the shipment of the Group's ODM business ranked No. 3 in the global market (data source: the AVC Revo), with renowned clients all over the world.

With the benefit of research-production-sales integration, the Group's ODM business has remarkable R&D and industrial capacity as well as well-established quality control system, which ensures high delivery satisfaction. Meanwhile, with the advantage of the vertical integration of industrial chain, product competitiveness and product structure have been further enhanced, which was highly recognized by first-tier customers in both domestic and overseas markets. In addition, the Group further improved its ODM business system capability via digitalized, network-based and intelligent development, thereby realizing a production and operation system with high efficiency, low cost and strong stability.

Based on solid capability of production and high production efficiency, the Group's ODM business has been steadily developing while at the same time increasing the Group's overall production capacity utilization rate. In the first half of 2019, the TV shipment of ODM business reached 5.22 million sets, and turnover reached HK\$5.18 billion.

## MANAGEMENT DISCUSSION AND ANALYSIS

### – Product R&D

In 2019, the Group has increased investment in R&D of cutting-edge technologies in order to continuously focus on developing high-end technologies such as quantum dot, 8K and Mini LED. By launching various mid-to-high end products, the Group kept strengthening its product competitiveness.

Regarding high-end products, the industrial leading TCL X10 QLED 8K TV, which the Group displayed at the 2019 CES in the United States of America and first launched in the PRC in May, was equipped with industrial leading 8K+QLED display technology, and adopted for the first time Mini LED backlight and Local Dimming smart control technology, supporting Dolby Vision®, plus powered by TCL's proprietary "AI Visual Engine" and "Q Audio Engine", showing the Group's strong R&D capability. Moreover, C7 theatre TV, which possesses excellent visual and audio system, with 4000R curved monitor, Dolby Vision® HDR technology, and Manhattan 360-degree independent system, was highly recognized with many industry awards after its launch. The P series are specially designed for young generations that pursue fashion styles. The above-mentioned three new product series are all equipped with the "TCL A.I. 2.0 plus" A.I. technology, providing authentic and customized content recommendation capacity, thereby ensuring information and services are more accurately available to users.

The Group's innovative R&D capability is well-recognized internationally by the industry. TCL Electronics was awarded as "2018-2019 CE Brands Top 10" by IDG at the 2019 CES. The Group's industry leading product TCL X10 QLED 8K TV also received the prestigious "2018-2019 8K TV Gold Award of the Year" from IDG, which spotlighted the Group's innovative technology and brand power.

## MANAGEMENT DISCUSSION AND ANALYSIS

### APPLICATION SERVICES

#### – Internet Business

##### ***Internet Revenue Surged by 125.2% to HK\$349 Million***

In the first half of 2019, the Group's Internet business developed rapidly. The Company continued to propel the "1+1+N" strategic cooperation model and deepened strategic cooperation with partners in China and abroad to build a smart TV ecosystem, thereby continuing to improve the business operation capability. In the first half of 2019, the accumulated revenue from Internet business reached HK\$349 million, remarkably up by 125.2% year-on-year. For the first time, the revenue from overseas Internet business was included, further enhancing the commercial monetization ability of the Group's Internet business (Note: Falcon Network Technology Group has been consolidated since April 2019 and the consolidated revenue of the total Internet business in the first half of 2019 recorded HK\$230 million).

##### ***Revenue from Overseas Internet Business Reached HK\$96 Million and Will Continue to Grow in the Future***

In the first half of 2019, the Company deepened its cooperation with Roku in the North American markets and with Google in the European and South American markets to jointly enhance the user experience of TCL TV overseas. In the first half of 2019, the overseas Internet business contributed HK\$96 million of sustainable revenue for the first time, accounting for 27.5% of the total revenue of the Internet business in the first half of the year. As a result, the Company has become the first Chinese enterprise in the industry to have large-scale and sustainable overseas Internet business revenue. With the rapid development of the global OTT industry and the fast growth of the Company's overseas TV sales volume, it is expected that the overseas Internet business will further enhance the overall profitability of the Company in the future.

## MANAGEMENT DISCUSSION AND ANALYSIS

### ***Falcon Network Technology Group's Commercial Monetization Ability Continued to be Enhanced with Net Profit Margin of 30.7% in the First Half of 2019***

In the first half of 2019, Falcon Network Technology, the Internet business operating platform of the Group that is mainly active in the PRC market and some overseas emerging markets, focused on strengthening user operations and enriching platform content. The Company continued to deepen the "1+1+N" strategic cooperation with Tencent, South New Media and other partners and integrate more content resources so as to provide quality services to users. The penetration rate of Falcon Network Technology's members has increased significantly and its business has developed rapidly. In the first half of 2019, Falcon Network Technology Group's revenue reached HK\$253 million, up by 63.3% year-on-year, among which revenue from video-on-demand and membership increased by 45.7%, revenue from advertising business grew by 36.6%, and revenue from value-added business increased by 269.5%. Falcon Network Technology Group's net profit in the first half of the year reached HK\$78 million, exceeding last year's annual net profit and the net profit margin was as high as 30.7%.

In addition, the Group's Internet business user base and loyalty have further improved. As of 30 June 2019, the Company's total number of global activated users reached 36.75 million, up by 34.3%. The average number of daily active users worldwide reached 17.07 million and the average daily time spent on TV per user continued to grow to 5.66 hours in June 2019.

### **– AI x IoT Business**

The Group has strengthened the R&D and application of AI, vigorously developed the intelligent IoT field with "AI x IoT" as the core strategy in an endeavor to enhance personalized experience of users. By innovating products of all series and proactively engaging in AI and IoT business, the Group is devoted to developing TV as the IoT center of future households.

Regarding AI, the Company established a joint AI design center with TCL Corporate Research to accelerate the application of AI technology in products. The Group took the lead in establishing an open AI technological framework in the TV industry, which can connect to various businesses and realize autonomous control based on users' intention, thereby enriching user experience and at the same time cultivating user habit to use large-screen TVs as Internet terminals. The new generation smart engine has been adopted in smart products, which has expanded the application from TV, film, music, and encyclopedia to daily services. It also adds more diversified functions, such as navigation, searching for popular attractions, gourmet recommendations and ticketing service, on top of multi-turn dialogue, celebrity identification and natural language interaction. Besides, the new AI scenario and facial recognition functions based on the latest AI technology is able to adjust the display effect in different scenarios in an intelligent way. Meanwhile, it also could provide smart and customized services to users via automatically recommending content that users are interested in. In the future, the Group will further enrich AI services and content to enhance AI scenario experience and application service abilities.

## MANAGEMENT DISCUSSION AND ANALYSIS

In terms of Internet of Things (“IoT”) technology, the self-developed cloud platform of the Company enabled stable connection with a wider range and larger number of IoT products. In the first half of 2019, the Company greatly broadened the scope of the ecosystem via connection with the cloud platform and realized voice control over all smart devices of different categories. Moreover, the standardized IoT module developed by the Company is applicable to products of all categories, which will help to achieve the intelligentization of products.

In terms of the overseas markets, the Group has adopted Google AI (Google Assistant) engine and its smart devices to actively expand the application of AI technology overseas, and provide consumers with a simple and personalized life experience using TV as a large screen smart speaker for families. The Company also builds-in far-field voice module in various overseas product series and is the first Chinese company to use far-field voice technology on overseas Android TV platform. In addition, the Company developed new iterations and upgrades on the self-developed TV middleware TV+ OS and further invested in the digital and network authentication technologies in overseas markets, thus establishing the first-mover advantage of its leading technology in the overseas markets and global digital network authentication.

### Outlook

Adhering to the strategic theme of “extreme efficiency, product leadership and user experience”, the Group will continue to consolidate its leading position in the global layout, leverage the advantage in vertical industrial chain integration, enhance its global product competitiveness and Internet business capability, deepen the implementation of diversified business layout and development strategy in the second half of 2019. The Group will also build a smart home ecosystem featuring “AI x IoT” and actively expand new profit growth opportunities. At the same time, the Group will vigorously make innovations in technologies, minimize costs, further consolidate intelligent manufacturing and actively propel digital transformation in order to continuously improve profitability and create greater value for shareholders.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **1. *Leveraging the Advantages in the Vertical Integration of Industrial Chain to Propel the Continuous Leading Position in Product Technology***

The Group adheres to the corporate philosophy of taking technological innovation and product leadership as its core. By always putting the user needs in the first place, the Group is committed to providing users with even more remarkably realistic watching experience. In the future, the Group will make full use of its unique advantages in the synergy of the vertically integrated industrial chain to vigorously propel the development of 65-inch, 75-inch and even larger-screen TVs with the strong support of CSOT's 11th generation panel production line and continuously develop industry-leading high-end display technologies such as quantum dots, Mini LED and 8K to accelerate the launch of mid-to-high end products. At the same time, the Group will further strengthen the synergy among product technology, industrial chain, brand promotion and international business. With the advantages of its comprehensive global network and sales channel as well as its competitiveness in the overseas markets, the Group is dedicated to building TCL into an international leading brand of consumption and household electronics.

### **2. *Accelerating the Development of Global Internet Business, Strengthening Operational Capability and Serving Global Users***

Adhering to the "double +" strategy of "products + services, intelligence + Internet", the Group will comprehensively enrich the content of the Internet business and further enhance the user experience, thus expanding the user base, enhancing the user loyalty, strengthening the operational capability and improving the monetization capacity of Internet business. While vigorously improving the operation and profitability of Falcon Network Technology, the Group will further deepen its strategic cooperation with overseas Internet business partners, establish a global Internet business user system and continuously improve the global Internet business operation and profitability by leveraging on competitive advantages in overseas markets in order to further increase the Group's profits.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **3. *Enhancing the Business Competitiveness in the PRC Market, Further Developing Highly Potential Overseas Markets and Accelerating the Strategic Layout of Globalization***

The Group will accelerate its global strategic layout and further enhance its global competitiveness and brand influence. In the PRC market, the Group will firmly transform its business model, vigorously develop mid-to-high end products, optimize its product mix and channel structure, strengthen cost reduction and efficiency enhancement, and improve operating efficiency, so as to further enhance profitability. In overseas markets, the Group will continue to strengthen the global supply chain layout, consolidate and enhance the leading position in the North American markets, increase market share and profitability in the European markets, and further expand highly potential emerging markets such as India, Russia and South America. At the same time, the Group will propel the upgrade of the international brand through localized sports and entertainment marketing strategies to further enhance the Group's global market share.

### **4. *Adopting Strategic Transformation of "Intelligentization + Diversification" to Become a Global Leading Smart Technology Company***

On the basis of consolidating and upgrading the existing TV business, the Group will further expand diversified businesses including Smart AV, commercial display and smart home to enhance its overall profitability. In addition, in the context of 5G's entry into the practical phase and the rapid growth of smart home, the Group will seize the opportunity of product innovation and upgrade, increase investment in R&D, and enhance the "AI x IoT" capability building. Through building its capabilities of cloud, channel and terminal, the Company will develop an open IoT platform empowered by AI technology and centered on cloud platform to facilitate an interconnected, intelligent and healthy ecosystem, so as to achieve the interconnection of hardware, software and IoT scenarios. The Group will also provide users with video calls, smart interaction, remote services and comfortable healthy smart home experience, and strive to become a fast-growing global leading smart technology company with sustainable user operating revenue and create greater values for shareholders.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

#### Significant Investments, Acquisitions and Disposals

On 23 January 2019, TCL King Electrical Appliances (Huizhou) Company Limited\* (TCL王牌電器(惠州)有限公司) ("TCL King Electrical", a subsidiary of the Company) and Qianhai Fende entered into a sale & purchase agreement, pursuant to which Qianhai Fende agreed to sell and TCL King Electrical agreed to acquire approximately 15.56% of the total equity interest of Falcon Network Technology at the consideration of RMB420.12 million. The aforesaid transaction has been completed and the Group currently holds in aggregate of approximately 60.00% of the total equity interest of Falcon Network Technology.

Save as disclosed above, the Group has no other significant investment, acquisition and disposal during the period under review.

#### Liquidity and Financial Resources

The Group's principal financial instruments comprise bank loans, factorings, cash and short-term deposits. The main objective for the use of these financial instruments is to maintain a continuity of funding and flexibility at the lowest cost possible.

The cash and bank balance of the Group as at 30 June 2019 amounted to approximately HK\$6,817,998,000, of which 0.7% was maintained in Hong Kong dollars, 22.6% in US dollars, 72.4% in Renminbi, 2.3% in Euros and 2.0% in other currencies for overseas operation.

There was no material change in the available credit facilities of the Group when compared with those for the year ended 31 December 2018.

As at 30 June 2019, the Group's gearing ratio was 0% since the Group's cash and bank balances of approximately HK\$6,817,998,000 were higher than the total interest-bearing borrowings of approximately HK\$856,605,000. Gearing ratio was calculated by net borrowings (i.e. total interest-bearing bank and other borrowings, less cash and bank balances and pledged deposits), divided by equity attributable to owners of the parent. The maturity profile of such borrowings was one year.

#### Pledge of Assets

As at 30 June 2019, no asset of the Group was pledged (31 December 2018: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Capital Commitments and Contingent Liabilities

As at 30 June 2019, the Group had capital commitments of approximately HK\$500,644,000 (31 December 2018: HK\$516,729,000) and HK\$253,321,000 (31 December 2018: HK\$255,202,000) which were contracted but not provided for and authorized but not contracted for, respectively. There was no significant change in contingent liabilities of the Group compared to the position outlined in the Company's 2018 annual report.

### Pending Litigation

The Group was not involved in any material litigation as at 30 June 2019.

### Foreign Exchange Exposure

Due to its international presence and operation, the Group is facing foreign exchange exposure including transaction exposure and translation exposure.

It is the Group's policy to centralize foreign currency management to monitor its total foreign currency exposure, to net off affiliate positions and to consolidate hedging transactions with banks. The Group emphasizes the importance of trading, investing and borrowing in functional currency to achieve natural hedging. In addition, in line with the aim of prudent financial management, the Group does not engage in any high-risk derivative trading or leveraged foreign exchange contracts.

### Employee and Remuneration Policy

As at 30 June 2019, the Group had a total of 25,158 dynamic and talented employees. They were all dedicated to advancing the quality and reliability of our operations. The remuneration policy of the Group was reviewed regularly, making reference to current legislation, market condition and both the performance of individual and the Group. In order to align the interests of staff with those of shareholders of the Company, share options were granted to relevant grantees, including employees of the Group, under the Company's share option schemes. Share options for subscribing a total number of 194,223,583 shares remained outstanding as at 30 June 2019.

A restricted share award scheme (the "Award Scheme") was also adopted by the Company on 6 February 2008 and was amended on 11 August 2015, 13 June 2016, 24 November 2017 and 23 May 2018 respectively. Pursuant to the Award Scheme existing shares would be purchased from the market or new shares would be subscribed for by a designated trustee out of cash contributed by the Company, and would be held on trust for the relevant grantees until such shares are vested with the relevant grantees in accordance with the provisions of the Award Scheme.

## OTHER INFORMATION

### CHANGES OF PARTICULARS OF THE DIRECTORS

Certain particulars of the Directors have been changed in the following respects since the published date of the 2018 annual report of the Company, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

<b>Effective Date</b>	<b>Change</b>
21 June 2019	Mr. LAU Siu Ki, an independent non-executive Director, was appointed to act as an independent non-executive director of IVD Medical Holding Limited (stock code: 1931).

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2019, the interests and short positions of the Directors and chief executive in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules ("Model Code"), were as follows:

## OTHER INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

#### (A) Interests in the Company – Long Positions

Name of Directors	Number of ordinary shares held			Number of underlying shares held under equity derivatives		Total	Approximate percentage of the number of issued shares of the Company <i>(Note 2)</i>
	Personal interests	Spouse interests	Other interests <i>(Note 1)</i>	Personal interests	Spouse interests		
LI Dongsheng	55,394,385	2,429,752	868,655	7,312,235	504,895	66,509,922	2.82%
WANG Cheng Kevin	862,695	–	1,378,385	7,262,284	–	9,503,364	0.40%
YAN Xiaolin	200,306	–	88,919	1,970,324	–	2,259,549	0.10%
WANG Yi Michael	2,058,728	–	689,192	5,509,395	–	8,257,315	0.35%
Albert Thomas DA ROSA, Junior	70,796	–	37,315	315,907	–	424,018	0.02%
YANG Anming	45,983	–	18,088	270,922	–	334,993	0.01%
LI Yuhao	24,000	–	–	–	–	24,000	0.001%
Robert Maarten WESTERHOF	7,463	–	37,315	315,907	–	360,685	0.02%
WANG Yijiang	7,230	–	37,315	242,260	–	286,805	0.01%
LAU Siu Ki	7,463	–	37,315	236,301	–	281,079	0.01%

## OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES,  
UNDERLYING SHARES AND DEBENTURES (continued)

## (B) Interests in Associated Corporation of the Company – Long Positions

## (i) TCL Holdings (Note 3)

Name of Director	Number of ordinary shares held	Approximate percentage of the number of issued shares of TCL Holdings (Note 4)
LI Dongsheng (Note 5)	2,149,980,000	33.33%

## (ii) Tonly Electronics Holdings Limited (“Tonly Holdings”) (Note 6)

Name of Directors	Number of ordinary shares held			Number of underlying shares held under equity derivatives		Total	Approximate percentage of the number of issued shares of Tonly Holdings (Note 7)
	Personal interests	Spouse interests	Other interests (Note 8)	Personal interests	Spouse interests		
LI Dongsheng	649,513	30,135	82,100	1,214,852	178,868	2,155,468	0.80%
WANG Cheng Kevin	9,684	-	-	33,463	-	43,147	0.02%
YAN Xiaolin	27,511	-	23,607	226,098	-	277,216	0.10%
YANG Anming	8,385	-	8,269	68,323	-	84,977	0.03%

## OTHER INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

#### (B) Interests in Associated Corporation of the Company – Long Positions (continued)

Notes:

1. These interests are restricted shares that have been granted to the relevant Directors under the Award Scheme of the Company and were not vested as at 30 June 2019. Further, the restricted shares that have been granted to the spouse of the relevant Directors under the Award Scheme are included.
2. The percentages are calculated based on the number of issued shares of the Company as at 30 June 2019, i.e. 2,360,555,117 shares.
3. TCL Holdings, a joint stock company established under the laws of the PRC, is the ultimate controlling shareholder of the Company.
4. The percentages are calculated based on the number of issued shares of TCL Holdings as at 30 June 2019, being 6,450,000,000 in issue, as informed by TCL Holdings.
5. As at 30 June 2019, Mr. LI Dongsheng was deemed to be interested in TCL Holdings via:
  - (a) Lida Tiancheng Investment Company Limited\*(惠州礪達天成股權投資有限公司), which has a 3.1005% shareholding in TCL Holdings. Mr. LI Dongsheng owns more than 50% of equity interest in Lida Tiancheng Investment Company Limited\*(惠州礪達天成股權投資有限公司); and
  - (b) Lida Zhihui Corporation Management Limited Partnership\*(寧波礪達致輝企業管理合夥企業(有限合夥)), which has a 30.2326% shareholding in TCL Holdings. Lida Zhihui Corporation Management Limited Partnership\*(寧波礪達致輝企業管理合夥企業(有限合夥)) is a limited partnership and Mr. LI Dongsheng owns more than 50% economic interest in Lida Zhihui Corporation Management Limited Partnership\*(寧波礪達致輝企業管理合夥企業(有限合夥)) as a limited partner. The general partner of Lida Zhihui Corporation Management Limited Partnership\*(寧波礪達致輝企業管理合夥企業(有限合夥)) is Lida Tiancheng Investment Company Limited\*(惠州礪達天成股權投資有限公司), in which Mr. LI Dongsheng owns more than 50% equity interest as set out in (a) above.

## OTHER INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

#### (B) Interests in Associated Corporation of the Company – Long Positions (continued)

*Notes: (continued)*

6. Tonly Holdings is a subsidiary of TCL Holdings and hence an associated corporation of the Company under Part XV of the SFO.
7. The percentages are calculated based on the number of issued shares of Tonly Holdings as at 30 June 2019, being 268,648,369 shares in issue, as disclosed by Tonly Holdings on the website of the Hong Kong Stock Exchange.
8. These interests are awarded shares that have been granted to the relevant Directors under the award scheme of Tonly Holdings and were not vested as at 30 June 2019. Further, the awarded shares that have been granted to the spouse of the relevant Directors under the award scheme of Tonly Holdings are included.

Save as disclosed above, as at 30 June 2019, none of the Directors and chief executive and their associates had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

## OTHER INFORMATION

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2019, the interests and short positions of the persons, other than a Director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

## (i) Long position in shares of the Company

Shareholders	Capacity	Number of shares held	Percentage of the number of issued shares of the Company (Note 1)
TCL Holdings (Note 2)	Interest of controlled corporation	1,235,272,639 (Note 3)	52.33%
WANG Jingbo	Interest of controlled corporation	348,850,000 (Note 4)	14.78%
ZENG Edward Qiang	Interest of controlled corporation	348,850,000 (Note 4)	14.78%
Noah Holdings Limited	Interest of controlled corporation	348,850,000 (Note 5)	14.78%
Shanghai Noah Investment Management Co., Ltd* (上海諾亞投資管理有限公司)	Interest of controlled corporation	348,850,000 (Note 4)	14.78%
諾亞正行基金銷售有限公司	Interest of controlled corporation	348,850,000 (Note 5)	14.78%
China Bridge Capital Management Co., Ltd* (北京鑫根投資管理有限公司)	Interest of controlled corporation	348,850,000 (Note 4)	14.78%

**OTHER INFORMATION****SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES  
(continued)****(i) Long position in shares of the Company (continued)**

Shareholders	Capacity	Number of shares held	Percentage of the number of issued shares of the Company (Note 1)
歌斐創世鑫根併購一號投資基金	Interest of controlled corporation	348,850,000 (Note 4)	14.78%
歌斐創世鑫根併購基金F投資基金	Interest of controlled corporation	348,850,000 (Note 6)	14.78%
Aeon Life Insurance Co. Ltd* (百年人壽保險股份有限公司)	Interest of controlled corporation	348,850,000 (Note 7)	14.78%
Wuhu Gopher Asset Management Co., Ltd* (蕪湖歌斐資產管理有限公司)	Interest of controlled corporation	348,850,000 (Note 4)	14.78%
Leshi Internet Information and Technology Corp., Beijing* (樂視網信息技術(北京)股份有限公司)	Interest of controlled corporation	348,850,000 (Note 4)	14.78%
深圳市樂視鑫根併購基金投資管理企業(有限合夥)	Interest of controlled corporation	348,850,000 (Note 4)	14.78%
深圳市樂視鑫根併購基金投資管理有限公司	Interest of controlled corporation	348,850,000 (Note 4)	14.78%

## OTHER INFORMATION

### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES (continued)

#### (i) Long position in shares of the Company (continued)

Notes:

1. The percentage in respect of the interest of the relevant substantial shareholder was calculated based on the number of shares and underlying shares of the Company in which such substantial shareholder was interested as notified to the Company and disclosed on the website of the Hong Kong Stock Exchange against the number of issued shares of the Company as at 30 June 2019, being 2,360,555,117 shares in issue.
2. The following Directors are directors/employees of TCL Holdings who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO:
  - (a) Mr. LI Dongsheng is also a director of TCL Holdings and T.C.L. Industries Holdings (H.K.) Limited ("TCL Industries"), a direct wholly-owned subsidiary of TCL Holdings;
  - (b) Mr. WANG Cheng Kevin is also the chief executive officer of TCL Holdings; and
  - (c) Mr. WANG Yi Michael is also a vice-president of TCL Holdings.
3. TCL Holdings was deemed to be interested in 1,235,272,639 shares held by TCL Industries.
4. Based on the information set out in the relevant disclosures made by the said substantial shareholder(s), the 348,850,000 shares were held by Zeal Limited, a wholly-owned subsidiary of Shenzhen LETV Bridge Merger Acquisition Fund Investment Management Enterprise (Limited Partnership)\* (深圳市樂視鑫根併購基金投資管理企業(有限合夥)), which was in turn indirectly held as to (i) 0.1% by Mr. ZENG Edward Qiang through China Bridge Capital Management Co., Ltd.\* (北京鑫根投資管理有限公司); (ii) 20.81% by Leshi Internet Information and Technology Corp., Beijing\* (樂視網信息技術(北京)股份有限公司) through 深圳市樂視鑫根併購基金投資管理有限公司; (iii) 63.14% by Mr. WANG Jingbo through Shanghai Noah Investment Management Co., Ltd.\* (上海諾亞投資管理有限公司), Wuhu Gopher Asset Management Co., Ltd.\* (蕪湖歌斐資產管理有限公司) and 歌斐創世鑫根併購一號投資基金.

## OTHER INFORMATION

### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES (continued)

#### (i) Long position in shares of the Company (continued)

*Notes: (continued)*

5. Based on the information set out in the relevant disclosures made by the said substantial shareholder(s), the 348,850,000 shares were held on trust for 諾亞正行基金銷售有限公司 as one of the beneficiaries, and Noah Holdings Limited was deemed to be interested in the shares through its indirect 100% interest in 諾亞正行基金銷售有限公司.
6. Based on the information set out in the relevant disclosures made by the said substantial shareholder(s), 歌斐創世鑫根併購基金F投資基金 was deemed to be interested in 348,850,000 shares through its 65.4% indirect interest in 歌斐創世鑫根併購一號投資基金.
7. Based on the information set out in the relevant disclosures made by the said substantial shareholder(s), the 348,850,000 shares were held on trust for Aeon Life Insurance Co. Ltd\* (百年人壽保險股份有限公司) as one of the beneficiaries.

Save as disclosed above, as at 30 June 2019, no person, other than the Directors and chief executive of the Company whose interests are set out in the section "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES" above, had notified the Company of an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES", "SHARE OPTION SCHEMES" and "AWARD SCHEME" in the section "OTHER INFORMATION" in this interim report, at no time during the six months ended 30 June 2019 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or his/her spouse or children under 18 years of age, or were any such rights exercised by them; nor was the Company, or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

## OTHER INFORMATION

### SHARE OPTIONS SCHEMES

The Company adopted the share option scheme on 15 February 2007 (“2007 Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. By a shareholders’ resolution passed in the annual general meeting held on 18 May 2016, the new share option scheme (“2016 Scheme”) was adopted and the 2007 Scheme was terminated. As a result, the Company can no longer grant any further options under the 2007 Scheme but all options granted prior to the termination of the 2007 Scheme will remain in full force and effect. Eligible participants of the 2007 Scheme include the Company’s Directors, including independent non-executive Directors, other employees of the Group, advisers, consultants, agents, contractors, suppliers of goods or services to the Group, customers of the Group, the Company’s shareholders, any non-controlling shareholder in the Company’s subsidiaries and any other person whom the Board at its sole discretion considers may contribute or have contributed to the Group. The 2016 Scheme mainly refined the definition of “any other person” in the eligible participants of the 2007 Scheme to employees and officers of TCL Corporation and its affiliated companies. The 2016 Scheme became effective on 18 May 2016 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The Directors have estimated the values of the share options granted, calculated using the binomial option pricing model as at the date of grant of the options. The values of share options calculated using the binomial model are subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of assumptions of the expected future performance input to the model, and certain inherent limitations of the model itself.

The value of an option varies with different variables of certain subjective assumptions. Any change to the variables used may materially affect the estimation of the fair value of an option.

Details of the 2016 Scheme and the amendments were set out in the circular dated 18 April 2016.

As at 30 June 2019, the number of shares of the Company that could be issued upon exercise of (i) all outstanding share options; and (ii) all share options that could be granted under the then available scheme mandate limit were 194,223,583 and 233,261,356, respectively, which represented about 8.23% and 9.88% of the total number of issued shares of the Company as at 30 June 2019, respectively.

## OTHER INFORMATION

## SHARE OPTIONS SCHEMES (continued)

The following share options were outstanding under the share option schemes during the period:

Name or category of participants	Number of share options					At 30 June 2019	Date of grant of share options	Exercise price of share options HK\$	Exercise period of share options	Share closing price immediately before the date of grant of share options HK\$	Weighted average share closing price immediately before the exercise dates HK\$
	At 1 January 2019	Reclassification	Granted during the period	Exercised during the period	Lapsed during the period						
<b>Directors</b>											
<i>Executive Directors</i>											
LI Dongsheng	3,078,650	-	-	-	-	3,078,650	9-Mar-15	4,4834	Note 1	4.40	N/A
	277,645	-	-	-	-	277,645	31-Aug-15	3,3918	Note 2	3.54	N/A
	205,337	-	-	-	-	205,337	2-Jun-16	4,3860	Note 3	4.49	N/A
	2,150,700	-	-	-	-	2,150,700	23-Jan-18	4,1520	Note 5	3.91	N/A
	1,599,903	-	-	-	-	1,599,903	25-Apr-18	3,5700	Note 6	3.55	N/A
	<b>7,312,235</b>	-	-	-	-	<b>7,312,235</b>					
WANG Cheng Kevin	670,261	-	-	-	-	670,261	9-Mar-15	4,4834	Note 1	4.40	N/A
	1,449,817	-	-	-	-	1,449,817	31-Aug-15	3,3918	Note 2	3.54	N/A
	158,282	-	-	-	-	158,282	2-Jun-16	4,3860	Note 3	4.49	N/A
	291,063	-	-	-	-	291,063	12-May-17	3,7329	Note 4	3.70	N/A
	4,301,397	-	-	-	-	4,301,397	23-Jan-18	4,1520	Note 5	3.91	N/A
391,464	-	-	-	-	391,464	25-Apr-18	3,5700	Note 6	3.55	N/A	
	<b>7,262,284</b>	-	-	-	-	<b>7,262,284</b>					
YAN Xiaolin	1,005,391	-	-	-	-	1,005,391	9-Mar-15	4,4834	Note 1	4.40	N/A
	156,621	-	-	-	-	156,621	31-Aug-15	3,3918	Note 2	3.54	N/A
	153,478	-	-	-	-	153,478	2-Jun-16	4,3860	Note 3	4.49	N/A
	116,442	-	-	-	-	116,442	23-Jan-18	4,1520	Note 5	3.91	N/A
	538,392	-	-	-	-	538,392	25-Apr-18	3,5700	Note 6	3.55	N/A
	<b>1,970,324</b>	-	-	-	-	<b>1,970,324</b>					
WANG Yi Michael	1,005,391	-	-	-	-	1,005,391	9-Mar-15	4,4834	Note 1	4.40	N/A
	2,174,725	-	-	-	-	2,174,725	31-Aug-15	3,3918	Note 2	3.54	N/A
	178,579	-	-	-	-	178,579	2-Jun-16	4,3860	Note 3	4.49	N/A
	2,150,700	-	-	-	-	2,150,700	23-Jan-18	4,1520	Note 5	3.91	N/A
	5,509,395	-	-	-	-	5,509,395					
	<b>22,054,238</b>	-	-	-	-	<b>22,054,238</b>					

**OTHER INFORMATION**

**SHARE OPTIONS SCHEMES (continued)**

The following share options were outstanding under the share option schemes during the period:  
(continued)

Name or category of participants	Number of share options					At 30 June 2019	Date of grant of share options	Exercise price of share options HK\$	Exercise period of share options	Share closing price immediately before the date of grant of share options HK\$	Weighted average share closing price immediately before the exercise dates HK\$
	At 1 January 2019	Reclassification	Granted during the period	Exercised during the period	Lapsed during the period						
<i>Non-executive Directors</i>											
Albert Thomas DA ROSA, Junior	199,465	-	-	-	-	199,465	9-Mar-15	4,4834	Note 1	4.40	N/A
	116,442	-	-	-	-	116,442	23-Jan-18	4,1520	Note 5	3.91	N/A
	315,907	-	-	-	-	315,907					
YANG Anming*	-	48,628	-	-	-	48,628	31-Aug-15	3,3918	Note 2	3.54	N/A
	-	33,579	-	-	-	33,579	2-Jun-16	4,3860	Note 3	4.49	N/A
	-	188,715	-	-	-	188,715	25-Apr-18	3,5700	Note 6	3.55	N/A
	-	270,922	-	-	-	270,922					
HUANG Xubin**	199,465	(199,465)	-	-	-	-	9-Mar-15	4,4834	Note 1	4.40	N/A
	245,314	(245,314)	-	-	-	-	31-Aug-15	3,3918	Note 2	3.54	N/A
	160,525	(160,525)	-	-	-	-	2-Jun-16	4,3860	Note 3	4.49	N/A
	116,442	(116,442)	-	-	-	-	23-Jan-18	4,1520	Note 5	3.91	N/A
	538,392	(538,392)	-	-	-	-	25-Apr-18	3,5700	Note 6	3.55	N/A
	1,260,138	(1,260,138)	-	-	-	-					
<i>Independent Non-executive Directors</i>											
Robert Maarten WESTERHOF	199,465	-	-	-	-	199,465	9-Mar-15	4,4834	Note 1	4.40	N/A
	116,442	-	-	-	-	116,442	23-Jan-18	4,1520	Note 5	3.91	N/A
	315,907	-	-	-	-	315,907					
WANG Yijiang	125,818	-	-	-	-	125,818	2-Jun-16	4,3860	Note 3	4.49	N/A
	116,442	-	-	-	-	116,442	23-Jan-18	4,1520	Note 5	3.91	N/A
	242,260	-	-	-	-	242,260					
LAU Siu Ki	116,442	-	-	-	-	116,442	23-Jan-18	4,1520	Note 5	3.91	N/A
	119,859	-	-	-	-	119,859	25-Apr-18	3,5700	Note 6	3.55	N/A
	236,301	-	-	-	-	236,301					
	<b>2,370,513</b>	<b>(989,216)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,381,297</b>					

## OTHER INFORMATION

## SHARE OPTIONS SCHEMES (continued)

The following share options were outstanding under the share option schemes during the period:  
(continued)

Name or category of participants	Number of share options					At 30 June 2019	Date of grant of share options	Exercise price of share options HK\$	Exercise period of share options	Share closing price immediately before the date of grant of share options HK\$	Weighted average share closing price immediately before the exercise dates HK\$
	At 1 January 2019	Reclassification	Granted during the period	Exercised during the period	Lapsed during the period						
<b>Associate(s) of Director(s)</b>											
ICHIKAWA Yuki (WEI Xue) (Spouse of Mr. Li Dongsheng)	105,098	-	-	-	-	105,098	31-Aug-15	3,3918	Note 2	3.54	N/A
	127,329	-	-	-	-	127,329	2-Jun-16	4,3860	Note 3	4.49	N/A
	272,468	-	-	-	-	272,468	25-Apr-18	3,5700	Note 6	3.55	N/A
	<b>504,895</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>504,895</b>					
<b>Other employees of the Group</b>											
	16,646,471	199,465	-	(253,806)	(1,239,591)	15,352,539	9-Mar-15	4,4834	Note 1	4.40	4.50
	74,655,803	870,491	-	(21,253,404)	(3,910,563)	50,362,327	31-Aug-15	3,3918	Note 2	3.54	4.35
	6,189,793	804,294	-	(50,907)	(603,532)	6,339,648	2-Jun-16	4,3860	Note 3	4.49	4.58
	14,348,980	-	-	(2,866,260)	(487,674)	10,995,046	12-May-17	3,7329	Note 4	3.70	4.39
	81,319,881	116,442	-	-	(11,580,791)	69,855,532	23-Jan-18	4,1520	Note 5	3.91	N/A
	<b>193,160,928</b>	<b>1,990,692</b>	<b>-</b>	<b>(24,424,377)</b>	<b>(17,822,151)</b>	<b>152,905,092</b>					
<b>Other employees and those who have contributed or may contribute to the Group****</b>											
	6,157,301	-	-	-	-	6,157,301	9-Mar-15	4,4834	Note 1	4.40	N/A
	3,395,490	(673,805)	-	(307,412)	(25,098)	2,389,175	31-Aug-15	3,3918	Note 2	3.54	4.35
	2,780,735	(677,348)	-	(59,115)	(68,592)	1,975,680	2-Jun-16	4,3860	Note 3	4.49	4.58
	4,301,397	-	-	-	(4,301,397)	-	23-Jan-18	4,1520	Note 5	3.91	N/A
	7,561,490	349,677	-	(270,339)	(784,923)	6,855,905	25-Apr-18	3,5700	Note 6	3.55	4.14
	<b>24,196,413</b>	<b>(1,001,476)</b>	<b>-</b>	<b>(636,866)</b>	<b>(5,180,010)</b>	<b>17,378,061</b>					
	<b>242,286,987</b>	<b>-</b>	<b>-</b>	<b>(25,061,243)</b>	<b>(23,002,161)</b>	<b>194,223,583</b>					

*Note 1:* One-third of such share options are exercisable commencing from 9 January 2017, a further one-third are exercisable commencing from 9 January 2018, and the remaining one-third are exercisable commencing from 9 January 2019, up to 8 March 2021.

*Note 2:* For share options granted to the employees of the Group, approximately one-third of such share options are exercisable commencing from 9 January 2017, a further approximately one-third are exercisable commencing from 9 January 2018, and the remaining approximately one-third are exercisable commencing from 9 January 2019, up to 30 August 2021.

For share options granted to the employees of TCL Corporation Group, approximately one-third of such share options are exercisable commencing from 31 December 2015, a further approximately one-third are exercisable commencing from 31 December 2016, and the remaining approximately one-third are exercisable commencing from 31 December 2017, up to 30 August 2021.

## OTHER INFORMATION

### SHARE OPTIONS SCHEMES (continued)

*Note 3:* For share options granted to the employees of the Group, approximately 13% of such share options are exercisable commencing from 9 January 2017, a further approximately 43% are exercisable commencing from 9 January 2018, and the remaining approximately 44% are exercisable commencing from 9 January 2019, up to 1 June 2022.

For share options granted to the employees of TCL Corporation Group, approximately one-third of such share options are exercisable commencing from 31 December 2016, a further approximately one-third are exercisable commencing from 31 December 2017, and the remaining approximately one-third are exercisable commencing from 31 December 2018, up to 1 June 2022.

*Note 4:* Approximately 21% of such share options are exercisable commencing from 9 January 2018, and the remaining approximately 79% are exercisable commencing from 9 January 2019, up to 11 May 2023.

*Note 5:* Approximately one-sixth of such share options are exercisable commencing from 18 May 2019, approximately one-sixth from 9 January 2020, approximately one-sixth from 18 May 2020, approximately one-sixth from 9 January 2021, a further approximately one-sixth are exercisable commencing from 18 May 2021, and the remaining approximately one-sixth are exercisable commencing from 9 January 2022, up to 22 January 2024.

*Note 6:* For share options granted to the employees of the Group, all of such share options are exercisable commencing from 9 January 2019, up to 24 April 2024.

For share options granted to the employees of TCL Corporation Group, approximately one-third of such share options are exercisable commencing from 15 June 2018, a further approximately one-third are exercisable commencing from 15 June 2019, and the remaining approximately one-third are exercisable commencing from 15 June 2020, up to 24 April 2024.

## OTHER INFORMATION

### SHARE OPTIONS SCHEMES (continued)

- \* Mr. YANG Anming appointed as a non-executive Director with effect from 10 January 2019.
- \*\* Mr. HUANG Xubin resigned as a non-executive Director with effect from 10 January 2019.
- \*\*\* The number of share options held by Director(s) who resigned during 2018 is included in the number of share options held by “other employees and those who have contributed or may contribute to the Group” as at 1 January 2019.
- \* This category of participants comprises grantees who were employees and/or officers of TCL Corporation and/or its affiliated companies as of the date of grant, some of them have become employees and/or officers of TCL Holdings and/or its affiliated companies as a result of a restructuring of TCL Corporation. For details of the restructuring, please refer to the circular of the Company dated 19 June 2019.

### AWARD SCHEME

The Company adopted the Award Scheme on 6 February 2008. By a shareholders’ resolution passed in the extraordinary general meeting held on 11 August 2015, the Award Scheme was amended. Details of the Award Scheme and the amendments are set out in the announcements dated 6 February 2008 and 25 June 2015 respectively and the circulars dated 19 March 2008 and 27 July 2015 respectively. On 13 June 2016, the Board has further resolved to amend the Award Scheme to allow the Board, at its sole and absolute discretion, to accelerate the vesting of awarded shares and/or waive and/or alter any or all of the vesting conditions attached to the awarded shares. On 24 November 2017, the Board resolved to, among others, divide the Award Scheme into two sub-schemes, namely the Restricted Share Award Scheme for Management and the Restricted Share Award Scheme for Employees and Others respectively for the said two groups of participants for better management and administration (“2017 Amendments”). On 4 May 2018, the Board further resolved to introduce a refreshment mechanism that allowed for refreshment of the scheme limit subject to fulfilment of certain conditions and other consequential amendments to the Award Scheme (“2018 Amendments”). For further details of the 2017 Amendments and the 2018 Amendments, please refer to the circular of the Company dated 7 May 2018.

**OTHER INFORMATION****AWARD SCHEME (continued)**

The Company has appointed BOCI-Prudential Trustee Limited (the "Trustee") for the administration of the Award Scheme. To the knowledge and belief of the Company, the Trustee is an independent third party to the Company. No one, including the Trustee, may exercise any voting rights in respect of the awarded shares held by the Trustee.

Information in relation to the Award Scheme was as follows:

Number of awarded shares				
Granted but not vested as at 1 January 2019	Granted during the period	Vested during the period	Lapsed during the period	Granted but not vested as at 30 June 2019
'000	'000	'000	'000	'000
46,374	–	(9,137)	(6,980)	30,257

As at 30 June 2019, (i) a maximum of 233,229,930 further awarded shares might be granted to the eligible participants of the Award Scheme and (ii) a maximum of 70,816,585 new shares might be allotted and issued as awarded shares under the specific mandate, which represented approximately 9.88% and 3.00% of the total number of issued shares of the Company as at 30 June 2019, respectively.

The expenses in relation to the Award Scheme recorded during the period from 1 January 2019 to 30 June 2019 were approximately HK\$14,946,000.

## OTHER INFORMATION

### PURCHASES, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2019.

### INTERIM DIVIDEND

The Board is pleased to declare an interim dividend for the six months ended 30 June 2019, of HK10.56 cents (30 June 2018: HK9.80 cents) in cash per share.

The interim dividend will be payable on or about 18 December 2019, Wednesday to shareholders whose names appear on the register of members of the Company at the close of business at 4:30 p.m. on 29 November 2019, Friday.

### RECORD DATE AND CLOSURE OF REGISTER OF MEMBERS

The record date for determining the entitlements of the shareholders of the Company to the said interim dividend is 29 November 2019, Friday. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on 29 November 2019, Friday. The register of members of the Company will be closed from 2 December 2019, Monday to 3 December 2019, Tuesday (both dates inclusive). No transfer of shares may be registered during the said period.

### CORPORATE GOVERNANCE

The Company has established and will continue to optimize its risk management and internal control system. The management reports to the Board and the subordinated Audit Committee the governance situation and the improvement progress of the Company regularly to strengthen the collaboration on corporate governance between the Board and the management continuously, and to fulfill their respective responsibilities in terms of corporate governance.

None of the Directors is aware of any information which would reasonably indicate that the Company had not, throughout the six months ended 30 June 2019, complied with the code provisions (the "Code Provisions") set out in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules, except for the deviation from the Code Provisions D.1.4, E.1.2 and F.1.1.

## OTHER INFORMATION

### CORPORATE GOVERNANCE (continued)

**Under Code Provision D.1.4, all directors should clearly understand delegation arrangements in place, and the Company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment.**

The Company has no formal letters of appointment for Mr. Albert Thomas DA ROSA, Junior, being a non-executive Director, and Mr. Robert Maarten WESTERHOF and Dr. TSENG Shieng-chang Carter, both being independent non-executive Directors as three of them have been serving as Directors for a considerable period of time, and as such a clear understanding of the terms and conditions of their appointment already exists between the Company and the Directors, therefore there is no written record of the same. In any event, all Directors, including those without a letter of appointment and those appointed for a specific term, shall be subject to retirement by rotation in the manner prescribed under the articles of association of the Company and on re-election of the retiring Directors, where shareholders are given information that is reasonably necessary for them to make an informed decision on the reappointment of the relevant Directors.

**Under Code Provision E.1.2, the chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that requires independent shareholders' approval.**

Due to other pre-arranged business commitments which must be attended to by each of them, Mr. LI Dongsheng (being the Chairman of the Board and an executive Director) and Professor WANG Yijiang (being the chairman of the nomination committee of the Company and an independent non-executive Director) were not present at the annual general meeting of the Company held on 28 May 2019 ("2019 AGM"). However, Mr. LAU Siu Ki (being the chairman of the Audit Committee and an independent non-executive Director), Dr. TSENG Shieng-chang Carter (being the chairman of the remuneration committee of the Company and an independent non-executive Director) were present at the 2019 AGM to maintain an ongoing dialogue and communicate with the shareholders and encourage their participation.

## OTHER INFORMATION

### CORPORATE GOVERNANCE (continued)

#### **Under Code Provision F.1.1, the company secretary should be an employee of the Company and have day-to-day knowledge of the Company's affairs.**

The company secretary of the Company, Ms. CHOY Fung Yee ("Ms. CHOY") is not an employee of the Company. From 1 January 2019 to 18 March 2019, the Company assigned Mr. WANG Yi Michael, an executive Director and the then chief financial officer, as the contact person with Ms. CHOY, and with effect from 18 March 2019, Mr. HU Lihua, the current chief financial officer of the Company, replaced Mr. WANG Yi Michael, as the assigned contact person with Ms. CHOY. Information in relation to the performance, financial position and other major developments and affairs of the Group (including but not limited to the management monthly report to the Board) are speedily delivered to Ms. CHOY through the contact person assigned. Given the long-term relationship between Messrs. Cheung Tong & Rosa Solicitors (of which Ms. CHOY is a partner) and the Group, Ms. CHOY is very familiar with the operations of the Group and has an in-depth knowledge of the management of the Group. Having in place a mechanism that Ms. CHOY will get hold of the Group's development promptly without material delay and with her expertise and experience, the Board is confident that having Ms. CHOY as the company secretary is beneficial to the Group's compliance with the relevant board procedures, applicable laws, rules and regulations.

### AUDIT COMMITTEE

The Audit Committee has reviewed the Group's unaudited financial statements for the six months ended 30 June 2019, including the accounting principles adopted by the Group, with the Company's management. The Audit Committee comprises four members, namely Mr. LAU Siu Ki (chairman), Dr. TSENG Shiang-chang Carter and Professor WANG Yijiang, all being independent non-executive Directors, and Mr. YANG Anming (appointed as a non-executive Director with effect from 10 January 2019), a non-executive Director.

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

The Company has adopted a model code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard as set out in the Model Code. Specific enquiries have been made with all Directors who have confirmed that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions during the period.

## OTHER INFORMATION

### COMPLIANCE WITH DEED OF NON-COMPETITION

The Company has received two confirmations (the “Confirmations”) from TCL Corporation and TCL Industries (collectively the “Covenantors”) signed by them confirming that for the period from 1 January 2019 to 30 June 2019 and up to the date of signing the Confirmations by the relevant Covenantors, they have fully complied with the deed of non-competition executed by the Covenantors in favour of the Group on 15 November 1999 as amended from time to time (the “Deed of Non-Competition”).

The independent non-executive Directors have reviewed the Confirmations and all of them are satisfied that the Deed of Non-Competition has been complied with during the period.

### THE USE OF PROCEEDS FROM THE RIGHTS ISSUE

Reference is made to the prospectus published by the Company dated 28 December 2017 (the “Prospectus”) in respect of the rights issue in the proportion of one rights share for every three then existing shares held by the qualifying shareholders on the record date of 27 December 2017 (“Rights Issue”). Unless otherwise specified, terms used in this section shall have the same meanings as those defined in the Prospectus.

As disclosed in the Prospectus, the net proceeds from the Rights Issue after deduction of expenses and professional fees amounted to approximately HK\$2,000 million (“Rights Issue Proceeds”).

**OTHER INFORMATION****THE USE OF PROCEEDS FROM THE RIGHTS ISSUE (continued)**

The breakdown of the Company's proposed use of the Rights Issue Proceeds as disclosed in the Prospectus and its actual use of the Rights Issue Proceeds from the date of completion of the Rights Issue to 30 June 2019 were as follows:

<b>Intended used:</b>	<b>Proposed use of the Rights Issue Proceeds as disclosed in the Prospectus</b> <i>HK\$ million</i>	<b>Actual use of Rights Issue Proceeds from the date of completion of the Rights Issue to 30 June 2019</b> <i>HK\$ million</i>	<b>Balance of the unutilized Rights Issue Proceeds as of 30 June 2019</b> <i>HK\$ million</i>
Future joint ventures and M&A opportunities	750	750	–
Phase I of the Tonghu Project	350	48	302
R&D	350	350	–
General working capital	550	550	–
<b>Total</b>	<b>2,000</b>	<b>1,698</b>	<b>302</b>

On behalf of the Board  
**LI Dongsheng**  
*Chairman*

Hong Kong, 28 August 2019

*The English translation of Chinese names or words in this report, where indicated by “\*”, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.*