TCL ELECTRONICS HOLDINGS LIMITED
TCL 電 子 控 股 有 限 公 司

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

RESULTS ANNOUNCEMENT
FOR THE THREE MONTHS AND SIX MONTHS ENDED 30 JUNE 2020

The board (the "Board") of directors ("Directors" and each a "Director") of TCL Electronics Holdings Limited (the "Company" or "TCL Electronics") is pleased to announce the unaudited consolidated results and financial position of the Company and its subsidiaries (collectively, the "Group" or "we", and their grammatical derivatives shall be construed accordingly) for the three months and six months ended 30 June 2020 with comparative figures for the previous periods.

Financial Highlights

	Three months ended				
	30 June 2020 (unaudited) ***HK$ Million***	30 June 2019 (unaudited) *HK$ Million* *(restated)*	**Y-o-Y Change**	**31 March 2020 (unaudited)** ***HK$ Million***	**Q-o-Q Change**
CONTINUING OPERATIONS					
Revenue	**10,277**	7,524	36.6%	**7,000**	46.8%
Gross profit	**2,144**	1,656	29.5%	**1,400**	53.1%
Operating profit	**680**	1,086	(37.4%)	**156**	335.9%
Operating profit after deducting one-off non-operating gain	**666**	278	139.6%	**156**	326.9%
Profit for the period from continuing operations	**484**	1,015	(52.3%)	**40**	1,110.0%
Profit for the period from continuing operations after deducting one-off non-operating gain	**470**	207	127.1%	**40**	1,075.0%
Profit attributable to owners of the parent					
– For the period (included a discontinued operation)	**431**	1,088	(60.4%)	**105**	310.5%
– From continuing operations	**438**	1,004	(56.4%)	**32**	1,268.8%
Profit attributable to owners of the parent after deducting one-off non-operating gain					
– For the period (included a discontinued operation)	**417**	280	48.9%	**105**	297.1%
– From continuing operations	**424**	196	116.3%	**32**	1,225.0%

Notes: 1. 2019 data included a one-off gain of HK$787 million on fair value remeasurement of 44.44% equity interest in 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 (collectively, "Falcon Network Technology Group").

2. Discontinued operation refers to the television ("TV") original design manufacture ("ODM") business, disposal of which is expected to be completed by the end of August 2020.

Financial Highlights (continued)

	Six months ended		
	30 June 2020 (unaudited)	30 June 2019 (unaudited)	**Y-o-Y Change**
Basic earnings per share (HK cents)	**23.30**	60.01	(61.2%)
Basic earnings per share after deducting one-off non-operating gain (HK cents)	**22.67**	21.53	5.3%
Interim cash dividend per share (HK cents)	**9.70**	10.56	(8.1%)

BUSINESS REVIEW AND PROSPECTS

1. Overview

2020 is a year of change, with drastic shifts in lifestyle and consumption habits, brought by the turbulent international environment and the global coronavirus disease 2019 ("COVID-19"), new opportunities brought by the reshuffling in the upstream panel industry and the rapid development of 5G and "AI x IoT" technology, all of which are leading the TV industry into the era of smart display. TCL Electronics continues to focus on smart display, vigorously promotes the "AI x IoT" strategy and strives to create an all-scenario smart healthy-living experience for its users and become a global leading smart technology company.

The Group is committed to seizing the opportunity presented by fast development of 5G and pioneering the overall smart upgrade of the display industry via actively promoting large-screen TV and smart technology. At the extraordinary general meeting of the Company held on 28 July 2020, an overwhelming majority of the shareholders voted in support for the Company's spin-off of the TV ODM business and acquisition of the global business of TCL Communication Technology Holdings Limited ("TCL Communication") and its subsidiaries. On top of focusing on brand business and enriching product and business portfolio, the Group also strives to further develop new Internet value-added service business, offering its users an all-scenario smart display ecosystem. The ecosystem, technically driven by 5G+8K+AI, contains three key scenarios: smart home, mobile services and commercial displays.

The second quarter of 2020 saw accelerated spread of the COVID-19 pandemic and a series of black swan events in the global market. Given that, we have responded rapidly and proactively to the market changes, seized the opportunities and recorded growth against the downward trend. Benefitting from its leading positions in integrated supply chain, global channels, production capacity layout, hardware, software and content, TCL Electronics, as the brand driving force of the entire TCL display industry chain and a user-centric company, managed to expand its market share amid negative trend by shortening the time needed for balancing supply and demand, optimising the channel structures, seizing opportunities to cut costs and adjusting its model to reduce expenses.

In the second quarter of 2020, under the circumstance of the global sales volume of TV decreased by 4.9% year-on-year, the sales volume of TCL brand TV still outperformed the market with a 31.6% year-on-year increase, reaching 5.81 million sets. According to the report of Omdia (a global scientific research institution, established on the consolidation of Informa Tech (Ovum, Heavy reading and Tractica) and IHS Markit), the market share by sales volume of TCL brand TV jumped from 9.4% in the second quarter of 2019 to 12.7% in the second quarter of 2020, up by 3.3 percentage points year-on-year, with its global ranking increased from No.3 in the second quarter of 2019 to No.2 in the second quarter of 2020. According to the latest report of Gesellschaft für Konsumforschung ("GfK", Corporation of Marketing Research for Consumer Product in English, headquartered in Nuremberg, Germany, a global market research group), overseas sales volume market share of TCL brand TV rose by 1.7 percentage points year-on-year, with its TV sales volume ranking among the top five in 19 countries worldwide. Among them, TCL brand TV ranked No.2 in the United States of America ("United States" or "U.S."), with its market share by sales volume increased by 1.4 percentage points year-on-year; No.3 in France (European markets), up by 0.4 percentage points; No. 2 in Australia, No.4 in Vietnam and No.4 in Thailand (emerging markets), up by 9.9 percentage points, 2.4 percentage points and 1.9 percentage points, respectively. The data of China Market Monitor Co., Ltd. ("CMM", a Chinese institution that focuses on retail market research of consumer goods and home appliances in the People's Republic of China ("PRC") shows that the market share of TCL brand TV by sales revenue in the PRC rose from ranking No.4 in the first half of 2019 to No.2 in the first half of 2020, increasing by 1.5 percentage points year-on-year to 13.3%.

In the second quarter of 2020, revenue from continuing operations reached HK$10,277 million, up by 36.6% year-on-year and 46.8% comparing to the preceding quarter. Profit attributable to owners of the parent after deducting one-off non-operating gain was HK$424 million, up by 116.3% year-on-year. As of 30 June 2020, our total cash reserve has reached HK$10,758 million.

Benefitting from the relentless hard work of the partners of TCL Electronics, TCL brand TV has been well recognised by consumers around the world. The Group has established its competitive advantages, formed certain barriers to entry against potential competitors, and built great industry alliances. Therefore, despite the increased environmental uncertainties such as the COVID-19 pandemic and geopolitical matters, we still have sufficient reasons not to lower the annual business targets.

Maintaining heavy investment and developing cutting-edge technology have been the development strategy of TCL Electronics in face of the pandemic. The Eagle Laboratory set up by TCL Electronics focuses on research and development in AI, IoT and cloud services as well as the innovative application of products. It is the core provider of "data service" + "smart scenario" of TCL Electronics. Currently, the Eagle Laboratory consists of four technological centers worldwide, over 200 employees for big data and cloud platform, and more than 400 employees for AI algorithm. In the first half of 2020, research and development investment of TCL Electronics reached HK$513 million, increased by 43.6% year-on-year.

In the second quarter of 2020, we continued to optimise our global supply chain layout. The MASA factory (phase one) in Juarez, Mexico, has begun mass production as planned. It is mainly dedicated to the production of large-screen smart TVs. The construction of MASA factory (phase two) is already under preparation. The production capacity of the Vietnam factory (phase one) continued to rise and reached the set target. The Vietnam factory (phase two) is under construction. The Group's total global production capacity of brand TV has risen to 27 million sets per year, thus further optimising the overseas supply chain capacity layout.

We continue to transform to "intelligent manufacturing in China", promote the 5G + industrial Internet process, and create a technology-leading, scene-extensive and replicable 5G + industrial Internet demonstration park. In the first half of 2020, we built the TCL Electronics 5G + Industrial Internet Application Demonstration Park, integrated 5G-equipped AMR (automated mobile robot) intelligent logistics vehicle with MES (manufacturing execution system), WMS (warehouse management system) and other internal systems, and intelligentised the "last mile" of logistics work. With these measures, we reduced online material overstocking by more than 20%, greatly improved the production management efficiency, and raised the workshop comprehensive efficiency by 21%.

We are leading in worldwide sales growth of high-tech large-screen TV. The average size of our TV sold increased from 43.3 inches in the second quarter of 2019 to 45.6 inches in the second quarter of 2020; the sales volume of 65-inch and above super-large TV increased by 40.0% year-on-year; and the proportion of 4K TV sales volume increased from 43.9% in the second quarter of 2019 to 55.7% in the second quarter of 2020.

We persist in fostering and expanding our family Internet business globally. By the end of June 2020, with the continuous access of smart TV devices, the number of monthly active users of the domestic Internet platform, Falcon Network Technology, increased by 24.2% year-on-year to 16.96 million, the average time spent on TV per user increased by 16.8% year-on-year, and the average revenue per user ("ARPU") in the first half of 2020 increased by 28.8% year-on-year to HK$23.9. Apart from that, we joined hands with overseas Internet giants to expand our worldwide household Internet business. Starting in the second quarter of 2020, we cooperated with Google for the first time to expand the North American market, and in the next year we will work with Roku to expand the United Kingdom and Brazilian markets, providing users in key markets with operating systems and smart TV products of different experiences, as well as a wider range of Internet value-added services.

In the first half of 2020, the Company's products were awarded a number of international and domestic honors, achievements and recognition. TCL QLED TV 8K X9 received the "8K QLED TV Gold Award 2019-2020" by International Data Group Co. Ltd. ("IDG") at the 2020 International Consumer Electronics Show ("CES"); TCL·XESS Rotary Smart Screen won the Appliance & Electronics World Expo 2020 ("AWE 2020") Award for Outstanding Products at the AWE 2020, and TCL 9 Series RAY•DANZ soundbar was bestowed with "iF Design Award 2020". In addition, Falcon Network Technology incubated by TCL Electronics was enlisted on "China's TOP100 most investor-focused start-ups in 2020" by 36Kr. The brand price index of TCL brand TV was 103 in the first half of 2020, ranking the second among all Chinese brands, according to CMM's omni-channel data.

2. *TCL Brand TV*

Overseas markets

TV business generated HK$6,053 million in the second quarter of 2020, up by 42.5% year-on-year and 41.8% quarter-on-quarter. Moreover, the TV shipment reached 4.20 million sets in the second quarter of 2020, up by 40.4% year-on-year and 35.1% quarter-on-quarter. In the face of the sudden outbreak of COVID-19, benefitting from our leading advantages in branding, product competitiveness and global supply chain, we were able to respond rapidly and adjust our marketing and supply strategy in the first quarter. In the second quarter, the sales of the Group swiftly recovered and recorded growth.

According to latest report of GfK, market share of TCL brand TV in terms of sales volume in overseas markets increased by 1.7 percentage points year-on-year in the first half of 2020. Sales volume of TCL brand TV ranked top five in 19 countries worldwide with year-on-year market share growth.

- North American Markets: Shipment in the second quarter of 2020 surged by 68.5% year-on-year and 104.7% quarter-on-quarter. On the rankings of market share by sales volume of TCL brand TV for the six months ended 30 June 2020, the Group ranked No.2 in the U.S., up by 1.4 percentage points year-on-year, and jumped to No.3 and No.4 respectively in Canada and Mexico. (Source: The NPD Group, Inc., U.S./Canada/Mexico Retail Tracking Service, LCD TV, based on unit sales from January to June of 2019 and January to June of 2020).

- Emerging Markets: Shipment in the second quarter of 2020 rose by 5.0% year-on-year, down by 12.6% quarter-on-quarter. For the six months ended 30 June 2020, the market share by sales volume of TCL brand TV jumped to No.1 in Pakistan, No.2 in the Philippines and Australia, No.3 in Saudi Arabia and Morocco, and No.4 in Brazil, Thailand and Vietnam (Source: GfK).

- European Markets: Shipment in the second quarter of 2020 soared by 55.0% year-on-year and 10.6% quarter-on-quarter. For the six months ended 30 June 2020, the market share by sales volume of TCL brand TV ranked No.3 in France, and recorded year-on-year growth of market share by sales volume in Germany, Poland, Czech Republic, Italy and the United Kingdom (Source: GfK).

The PRC Market

In the second quarter of 2020, our TV sales generated revenue of HK$2,504 million, decreased by 2.7% year-on-year, mainly due to the increased proportion of online sales that was of relatively lower average selling price ("ASP"), and TV sales revenue of the second quarter up by 32.5% quarter-on-quarter, and the TV shipments reached 1.61 million sets, an increase of 13.1% year-on-year, up by 38.2% quarter-on-quarter. According to CMM's omni-channel data, the market share of our brand TV sales revenue in the PRC increased from 11.8% in the first half of 2019 to 13.3% in the first half of 2020, with the rank jumped from No.4 in the first half of 2019 to No. 2 in the first half of 2020.

During the COVID-19 outbreak, we seized the trend of consumption transformation, strengthened the layout of online channels, and boosted the proportion of online sales through live streaming. In the second quarter, the online sales volume of our brand TV reached 870,000 sets, up by 39.6% year-on-year, and the proportion of online sales volume increased significantly to 54.1% from 43.8% in the corresponding period of last year. According to the data of CMM and JD.com, during the period of the 18 June shopping gala (i.e. 1 June to 21 June) in 2020, sales volume of our brand TV online ranked No.2, and the sales volume on JD.com ranked No.1 on 18 June.

In spring 2020, we unveiled 13 TV models marketed as "Sound and Picture Experts with Large-screen that Understand You". These TVs were categorised in 3 series. The "C8 Zhizhen QLED TV", equipped with the quantum dot ("QLED") Pro 2020 technology and combined with TCL self-developed Q image quality engine technology, had made further optimisation of brightness, color and sharpness, thus presenting outstanding picture quality; the "P9 Hollywood Theatre TV", equipped with Onkyo Hi-Fi audio, was positioned as a large-screen home theater with impressive sound effects; while "V8 full-scenario AI TV" made upgrades of four aspects of all time, all family members, all functions and all house range based on the original artificial intelligence operation, and thus users can enjoy the supreme picture quality, sound quality and full-scenarios AI technology and functions.

3. *Internet Services*

The PRC Market

In the second quarter of 2020, revenue from the domestic Internet business (mainly Falcon Network Technology related business) reached HK$250 million, up by 87.5% year-on-year and 70.0% quarter-on-quarter. During the period, Falcon Network Technology continued to strengthen product competitiveness, enrich platform content, and optimise user experience. With all these moves, user loyalty continued to be enhanced and membership penetration rate continued to improve. The number of existing subscribers in June 2020 increased by 63.1% year-on-year, and the membership revenue in the second quarter of 2020 increased by 69.7% year-on-year, and by 12.0% quarter-on-quarter. Besides, Falcon Network Technology aggressively expanded its value-added businesses, including services for children, education and Falcon Alliance, with value-added business revenue increasing by 169.3% year-on-year and 363.8% quarter-on-quarter.

As of 30 June 2020, the number of monthly active users of Falcon Network Technology reached 16.96 million, up by 24.2% year-on-year, the average time spent on TV per user increased by 16.8% year-on-year to 6.14 hours, and the ARPU of Falcon Network Technology reached HK$23.9 in the first half of 2020, up by 28.8% year-on-year.

Overseas markets

In the second quarter, revenue from overseas Internet business reached HK$116 million, up by 20.2% year-on-year. In the second quarter of 2020, we started cooperation with Google in North America, hence the partnership has fully covered major overseas markets. Meanwhile, our partnership with Roku will expand from the United States to worldwide, showing the increasing coverage and influence of our overseas Internet business.

In addition, we actively promote TCL Channel overseas. As of the end of June 2020, TCL Channel has been successfully launched in eight countries namely Vietnam, India, Japan, Brazil, Russia, Thailand, France and Germany, providing overseas users with rich local content resources. TCL Channel will be launched in more countries in the second half of 2020.

4. *Corporate Social Responsibilities*

Although the pandemic has far-reaching impact on everyone, TCL Electronics, as a global enterprise, has actively undertaken social responsibilities and contributed its power to the global fight against the pandemic. On 26 January 2020, we donated LCD equipment to Wuhan Huoshenshan Hospital and Leishenshan Hospital, and sent an installation team to support them. Also, TCL Electronics' Internet business platform Falcon Network Technology launched a campaign against the spread of the pandemic, instantly provided special pandemic reports on the front page of TCL brand TV's content platform, and provided some popular paid content to users free of charge.

In addition, we offered care and necessary pandemic prevention materials to overseas employees, users and channel vendors. At the beginning of the year, we donated a batch of pandemic prevention materials to the European branch of TCL Communication, and the European branches of the Company took all necessary measures, including wearing masks and conducting telecommuting or intelligent office. In July 2020, TCL, as vice president of the China International Chamber of Commerce, being informed of the urgent need for pandemic prevention materials at UN-Habitat headquartered in Nairobi, Kenya, instructed TCL Foundation to prepare and collect pandemic prevention materials to support UN-Habitat headquarters in combating the coronavirus pandemic. Since the outbreak, we have made every effort and contributed our own strength to the fight against the pandemic.

5. *Interim Dividend*

The Board declared an interim dividend of HK9.70 cents per share, with a dividend yield of 45% (after deducting one-off non-operating gain). Since 2017, TCL Electronics has paid cash dividends for three consecutive years, with a cumulative dividend of more than HK$1,370 million. We will continue to implement the existing dividend policy to reward our shareholders.

6. Outlook

COVID-19 pandemic is continuing its spread across the world. However, the growth of the business performance in the second quarter of 2020 against the downward trend gives the Company strong confidence. We will endeavor to maintain double-digit year-on-year growth across both revenue and profit in 2020. Meanwhile, we will also seize more opportunities amidst uncertainties. In the second half of 2020, we will continue to focus on the core strategy of "AI x IoT" and the following areas:

– increase research and development investment to further develop industry-leading display technologies namely QLED, Mini LED and 8K, and continue to consolidate our core competitiveness in technological areas including AI, Internet-based big data, 5G and smart manufacturing;

– leverage our distinctive advantage of vertically integrated industrial chain to further increase TCL Electronics' market share in both domestic and overseas TV markets to a global leading position;

– continue to increase the market share of our Internet business, seek new source of growth and enhance ARPU in the domestic market. We will expand the scope of business and geographical coverage with global partners for overseas Internet business and enlarge the user base for operation with our partners, thus enhancing TCL Electronics' capability of generating profits; and

– seize the business opportunity of the 5G era to propel product and application upgrades. We will further develop the three big smart scenarios namely smart home, mobile services and commercial displays to offer users with smart and healthy living experiences and services across all scenarios and categories featuring inter-connectivity.

Looking into the future, the accelerated development of 5G technology will push forward the display industry to upgrade in an all-round smart way. With "Smart Screens Interconnect Everything and Lead to the Future" as the core, we will build on our advanced display technology, continue to promote intelligentisation, globalisation, research and development innovation, and digital transformation, while seeking to expand our Internet value-added services. Confident and determined as ever, we will endeavor to become a global leader in providing users around the world with the best products and services that enable multi-screen timely interactions and all-scenario smart sensing, and bring long-term sustainable growth and returns to our shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

Comparison between the Second Quarter of 2020 and the Second Quarter of 2019

The table below lists and compares the figures of the second quarter of 2020 and the second quarter of 2019:

	Three months ended	
	30 June 2020	30 June 2019
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
		(restated)
CONTINUING OPERATIONS		
Revenue	**10,277,411**	7,523,973
Cost of sales	**(8,133,029)**	(5,868,195)
Gross profit	**2,144,382**	1,655,778
Other revenue and gains	**180,729**	904,348
Selling and distribution expenses	**(1,231,799)**	(1,014,410)
Administrative expenses	**(152,244)**	(271,546)
Research and development costs	**(259,407)**	(182,547)
Other operating expenses	**(306)**	(600)
Impairment losses on financial assets, net	**(997)**	(5,507)
	680,358	1,085,516
Finance costs	**(39,253)**	(28,655)
Share of profits and losses of:		
– Joint ventures	**3,814**	4,643
– Associates	**(79,071)**	(3,203)
Profit before tax from continuing operations	**565,848**	1,058,301
Income tax	**(82,276)**	(43,380)
Profit for the period from continuing operations	**483,572**	1,014,921
Profit/(loss) for the period from a discontinued operation	**(6,276)**	83,677
Profit for the period	**477,296**	1,098,598
Profit attributable to owners of the parent		
– For the period (included a discontinued operation)	**431,244**	1,088,168
– From continuing operations	**437,520**	1,004,491
Profit attributable to owners of the parent after deducting one-off non-operating gain		
– For the period (included a discontinued operation)	**416,992**	280,073
– From continuing operations	**423,268**	196,396

Revenue

The Group's revenue from continuing operations increased by 36.6% year-on-year from HK$7,524 million in the second quarter of 2019 to HK$10,277 million in the second quarter of 2020. The table below shows our revenue by business for the three months ended 30 June 2020 and 30 June 2019:

	Three months ended			
	30 June 2020 (unaudited)		30 June 2019 (unaudited)	
	HK$'000	**Proportion in the total revenue**	*HK$'000 (restated)*	Proportion in the total revenue
TCL brand TV business				
– Overseas	**6,053,196**	**58.9%**	4,247,726	56.5%
– the PRC	**2,504,517**	**24.4%**	2,574,296	34.2%
Internet services				
– the PRC	**249,689**	**2.4%**	133,192	1.8%
– Overseas	**116,021**	**1.1%**	96,487	1.3%
Others#	**1,353,988**	**13.2%**	472,272	6.2%
Total revenue	**10,277,411**	**100.0%**	7,523,973	100.0%

Others mainly comprises revenue from smart home, smart commercial display and smart audio-visual ("Smart AV") businesses

TV Business

Overseas

Revenue of TCL brand TV in overseas markets increased by 42.5% year-on-year from HK$4,248 million in the second quarter of 2019 to HK$6,053 million in the second quarter of 2020. In terms of sales volume, it increased by 40.4% year-on-year from 2.99 million sets in the second quarter of 2019 to 4.20 million sets in the second quarter of 2020.

The growth of revenue and sales volume was driven by enhanced product competitiveness, improved product structure and global industrial chain layout, as well as the Group's rapid response to and deployment for market changes and demand during the pandemic.

The PRC

Revenue of TCL brand TV in the PRC market decreased by 2.7% year-on-year from HK$2,574 million in the second quarter of 2019 to HK$2,504 million in the second quarter of 2020. The decline was mainly due to the Group's optimisation of its online and offline channel portfolio and the active deployment of online channels. In the second quarter of 2020, 1.61 million TV sets were sold by the Group, with a year-on-year growth of 13.1%, among which online sales volume increased by 39.6% year-on-year and offline sales volume decreased by 7.6% year-on-year.

Internet Services

The PRC

In the second quarter of 2020, the Group's revenue from the domestic Internet business (mainly relevant business of Falcon Network Technology) rose by 87.5% year-on-year from HK$133 million in the second quarter of 2019 to HK$250 million in 2020. Among which, Falcon Network Technology's revenue from its membership business, value-added business and advertising business increased by 69.7%, 169.3% and 27.4% year-on-year, respectively. ARPU of Falcon Network Technology reached HK$23.9 in the first half of this year, surging by 28.8% year-on-year.

Overseas

In the second quarter of 2020, the Group's revenue from the overseas Internet business increased by 20.2% year-on-year from HK$96 million in the second quarter of 2019 to HK$116 million in the second quarter of 2020.

Gross Profit and Gross Profit Margin

The overall gross profit in the second quarter of 2020 was HK$2,144 million, up by 29.5% year-on-year from HK$1,656 million in the second quarter of 2019. The gross profit margin was 20.9% in the second quarter of 2020.

TV Business

Overseas

The gross profit margin of the TCL brand TV in the overseas markets decreased by 0.3 percentage points year-on-year from 17.3% in the second quarter of 2019 to 17.0% in 2020. The decrease was attributable to the influence of regional structure changes. In the second quarter of 2020, the sales growth of the Group in the U.S. was much greater than that of other regions, which accountable for a higher proportion than the businesses with lower gross profit and expenses.

The PRC

The gross profit margin of the TCL brand TV in the PRC market decreased by 1.7 percentage points year-on-year from 26.2% in the second quarter of 2019 to 24.5% in 2020. With the pandemic being gradually contained, the Group actively conducted promotion campaigns to drive up sales and profits.

Other Revenue and Gains

Other revenue and gains decreased by 80.0% year-on-year from HK$904 million in the second quarter of 2019 to HK$181 million in 2020. The gap was mainly due to the one-off gain of HK$787 million on the fair value remeasurement of 44.44% pre-existing equity interest of Falcon Network Technology included in the second quarter of 2019.

Selling and Distribution Expenses

The selling and distribution expenses grew by 21.5% year-on-year from HK$1,014 million in the second quarter of 2019 to HK$1,232 million in 2020. The growth was mainly driven by the rise in logistics costs in North American markets and the increase in transportation expenses caused by the growth in domestic online sales volume.

Administrative Expenses

The administrative expenses decreased by 44.1% year-on-year from HK$272 million in the second quarter of 2019 to HK$152 million in 2020, mainly due to the fact that the administrative expenses in the second quarter of 2020 included the write-back of exchange losses of HK$97 million while that in the second quarter of 2019 included the exchange losses of HK$29 million.

Research and Development Costs

The research and development costs grew by 41.5% year-on-year from HK$183 million in the second quarter of 2019 to HK$259 million in 2020. The growth was mainly attributable to the Group's increased investment in "AI x loT" and other frontier technologies for its long-term development.

Impairment Losses on Financial Assets, Net

The net impairment on financial assets decreased by 83.3% year-on-year from HK$6 million in the second quarter of 2019 to HK$1 million in 2020. The decrease was mainly because the Group strengthened its credit management.

Finance Costs

The finance costs increased by 34.5% year-on-year from HK$29 million in the second quarter of 2019 to HK$39 million in 2020. The increase was mainly because of the newly added loans.

Share of Profits and Losses

The share of losses in the second quarter of 2020 was HK$75 million, while the share of profits in the second quarter of 2019 was HK$1 million. The losses were mainly caused by exchange fluctuation of SEMP TCL Indústria e Comércio de Eletroeletrônicos S.A. ("SEMP TCL").

Profit Before Tax from Continuing Operations

The profit before tax from continuing operations decreased by 46.5% year-on-year from HK$1,058 million in the second quarter of 2019 to HK$566 million in 2020. The gap was mainly because the one-off gain of HK$787 million on the fair value remeasurement of 44.44% pre-existing equity interest of Falcon Network Technology was included in the second quarter of 2019.

Income Tax

The income tax rose by 89.7% year-on-year from HK$43 million in the second quarter of 2019 to HK$82 million in 2020, mainly due to the increase in pre-tax profits of overseas subsidiaries and the increase of accrued income tax. One-off gain on fair value remeasurement of 44.44% equity interest in Falcon Network Technology in 2019 did not have impact on income tax.

Profit for the Period and Profit Attributable to Owners of the Parent from Continuing Operations

The net profit from continuing operations decreased by 52.3% year-on-year from HK$1,015 million in the second quarter of 2019 to HK$484 million in 2020. The net profit from continuing operations attributable to owners of the parent was HK$438 million, a year-on-year decrease of 56.4%.

Profit Attributable to Owners of the Parent from Continuing Operations after Deducting One-off Non-operating Gain

The one-off gain in the second quarter of 2019 primarily comprises HK$787 million on the fair value remeasurement of 44.44% pre-existing equity interest of Falcon Network Technology. The profit attributable to owners of the parent from continuing operations after deducting one-off non-operating gain in the second quarter of 2020 was HK$424 million, up by 116.3% year-on-year. The Group actively rose to the challenges posed by the pandemic by expanding business, seizing new growth opportunities and increasing revenue through innovative marketing model. On the other hand, the Group improved operating efficiency through reduction of costs and expense control.

Investment

On 3 June 2020, the Group announced to increase its shareholding in SEMP TCL to 80%, with a maximum investment of about HK$485 million. The completion of the transaction took place on 20 July 2020 (São Paulo time).

The Group will sell its entire 100% equity interest of Moka International Limited ("Moka International"), which mainly engages in ODM business for TVs to T.C.L. Industries Holdings (H.K.) Limited ("T.C.L. Industries (H.K.)", an immediate holding company of the Company) for RMB2,500 million. At the same time, the Group will acquire a 100% equity interest of TCL Communication from Zhengjia Investment Limited ("Zhengjia Investment", a wholly owned subsidiary of T.C.L. Industries (H.K.)), with a consideration of RMB1,500 million.

Acquisition of additional equity interest in SEMP TCL represented the Group's efforts to further develop the Brazilian market, while acquisition of TCL Communication and disposal of Moka International represented the Group's dedication to brand businesses and a key move to optimise the "AI x IoT" strategy. Both SEMP TCL and TCL Communication will be consolidated into the financial statements of the Group in the second half of the year.

Comparison between the Second Quarter and First Quarter of 2020

The table below lists and compares the figures of the second quarter and the first quarter of 2020:

	Three months ended	
	30 June 2020	31 March 2020
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
CONTINUING OPERATIONS		
Revenue	**10,277,411**	6,999,668
Cost of sales	**(8,133,029)**	(5,599,562)
Gross profit	**2,144,382**	1,400,106
Other revenue and gains	**180,729**	286,547
Selling and distribution expenses	**(1,231,799)**	(895,028)
Administrative expenses	**(152,244)**	(373,771)
Research and development costs	**(259,407)**	(253,351)
Other operating expenses	**(306)**	(6,474)
Impairment losses on financial assets, net	**(997)**	(2,107)
	680,358	155,922
Finance costs	**(39,253)**	(43,511)
Share of profits and losses of:		
– Joint ventures	**3,814**	3,080
– Associates	**(79,071)**	(27,399)
Profit before tax from continuing operations	**565,848**	88,092
Income tax	**(82,276)**	(48,400)
Profit for the period from continuing operations	**483,572**	39,692
Profit/(loss) for the period from a discontinued operation	**(6,276)**	72,173
Profit for the period	**477,296**	111,865
Profit attributable to owners of the parent		
– For the period (included a discontinued operation)	**431,244**	104,628
– From continuing operations	**437,520**	32,455
Profit attributable to owners of the parent after deducting one-off non-operating gain		
– For the period (included a discontinued operation)	**416,992**	104,401
– From continuing operations	**423,268**	32,228

Revenue

The Group's revenue from continuing operations increased by 46.8% quarter-on-quarter from HK$7,000 million in the first quarter of 2020 to HK$10,277 million in the second quarter of 2020. The following table illustrates the revenue in the second and first quarter of 2020 based on different business:

	Three months ended			
	30 June 2020 (unaudited)		31 March 2020 (unaudited)	
	HK$'000	**Proportion in the total revenue**	*HK$'000*	Proportion in the total revenue
TCL brand TV business				
– Overseas	**6,053,196**	**58.9%**	4,269,400	61.0%
– the PRC	**2,504,517**	**24.4%**	1,889,501	27.0%
Internet services				
– the PRC	**249,689**	**2.4%**	146,885	2.1%
– Overseas	**116,021**	**1.1%**	8,463	0.1%
Others#	**1,353,988**	**13.2%**	685,419	9.8%
Total revenue	**10,277,411**	**100.0%**	6,999,668	100.0%

\# Others mainly comprises revenue from smart home, smart commercial display and smart AV businesses

TV Business

Overseas

Revenue of TCL brand TV increased by 41.8% from HK$4,269 million in the first quarter of 2020 to HK$6,053 million in the second quarter. The sales volume of TCL brand TV grew by 35.1% from 3.11 million sets in the first quarter of 2020 to 4.20 million sets in the second quarter. The turnaround was attributable to the Group's active response to the pandemic by swiftly adjusting market strategies and supply capacity which drove up the TV sales.

The PRC

Revenue of TCL brand TV rose by 32.5% from HK$1,890 million in the first quarter of 2020 to HK$2,504 million in the second quarter. The sales volume of TCL brand TV increased by 38.2% from 1.16 million sets in the first quarter of 2020 to 1.61 million sets in the second quarter of 2020. The increase was driven by the Group's active adjustment of distribution sales and introduction of live-streaming sales, offline channel promotion and other types of sales methods, which contributed to impressive online and offline sales performance.

The sales volume of TCL brand TV through online distribution channels in the PRC market increased by 70.6% from 510,000 sets in the first quarter of 2020 to 870,000 sets in the second quarter. The offline sales volume increased by 13.9% from 650,000 sets in the first quarter of 2020 to 740,000 sets in the second quarter of 2020. The growth was powered by the Group's increased investment in marketing resources of online sales and maintenance of advantages of offline sales distribution channels.

Internet Services

The PRC

Revenue of the Internet business in the PRC (mainly relevant business of Falcon Network Technology) increased by 70.0% from HK$147 million in the first quarter of 2020 to HK$250 million in the second quarter. Among which, revenue from membership business, value-added business and advertising business of Falcon Network Technology rose by 12.0%, 363.8% and 23.4% over the previous quarter, respectively. The progress was mainly attributable to Falcon Network Technology's constant enrichment of platform content and improvement of user experience, which contributed to continuous enhancement of user loyalty. Meanwhile, under the positive influence of homebound life due to the pandemic, more and more consumers chose large-screen TV as the entertainment terminal.

Overseas

Revenue from overseas Internet business increased by 1,270.9% from HK$8 million in the first quarter of 2020 to HK$116 million in the second quarter, mainly due to the overseas Internet revenue of the first half in 2020 recognised in the second quarter.

Gross Profit and Gross Profit Margin

Due to the Group's efforts in catching up business in the second quarter of 2020, the overall gross profit of the Group increased by 53.2% from HK$1,400 million in the first quarter of 2020 to HK$2,144 million in the second quarter. Moreover, the gross profit margin in the second quarter of 2020 increased by 0.9 percentage point to 20.9% compared with the first quarter of 2020.

TV Business

Overseas

The gross profit margin of the Group's TCL brand TV in the overseas markets decreased by 0.8 percentage point from 17.8% in the first quarter of 2020 to 17.0% in the second quarter. The change was mainly attributable to adjustment of regional structure. Rapid growth was seen in the European and emerging markets with high gross profit in the first quarter of 2020, while the business in North America with low gross profit (low expenses) grew fast in the second quarter.

The PRC

The gross profit margin of the Group's TCL brand TV in the PRC market rose by 2.4 percentage points from 22.1% in the first quarter of 2020 to 24.5% in the second quarter. The growth was mainly powered by the enhanced competitiveness of the Group's new products, improvement of products structure and higher proportion of high-end products.

Other Revenue and Gains

Other revenue and gains decreased by 36.9% from HK$287 million in the first quarter of 2020 to HK$181 million in the second quarter. The decrease was mainly due to the quarter-on-quarter drop of HK$170 million in investment gains from trading financial assets.

Selling and Distribution Expenses

The selling and distribution expenses increased by 37.6% from HK$895 million in the first quarter of 2020 to HK$1,232 million in the second quarter, mainly due to the increased sales volume in the second quarter and hence increase in costs of sales and distribution.

Administrative Expenses

The administrative expenses decreased by 59.2% from HK$374 million in the first quarter of 2020 to HK$152 million in the second quarter. The decrease was mainly because administrative expenses in the first quarter of 2020 included exchange losses of HK$97 million, while that in the second quarter included the write-back of exchange losses of HK$97 million and additional exchange gains of HK$10 million, which was recognised in other revenue and gains in the second quarter.

Research and Development Costs

The research and development costs online increased by 2.4% from HK$253 million in the first quarter of 2020 to HK$259 million in the second quarter. The increase was mainly due to the Group's increase in investment in research and development to prepare for future market development.

Impairment Losses on Financial Assets, Net

The net impairment on financial asset decreased by 52.7% from HK$2 million in the first quarter of 2020 to HK$1 million in the second quarter. The decrease was mainly because the Group strengthened its credit management.

Finance Costs

The finance costs decreased by 9.8% from HK$44 million in the first quarter of 2020 to HK$39 million in the second quarter. The decline was mainly attributable to the decrease of bank loans for the period.

Share of Profits and Losses

The share of losses increased by 209.5% from loss of HK$24 million in the first quarter of 2020 to loss of HK$75 million in the second quarter, which was mainly caused by exchange fluctuation of SEMP TCL.

Profit before Tax from Continuing Operations

The profit before tax from continuing operations surged by 542.3% from HK$88 million in the first quarter of 2020 to HK$566 million in the second quarter. The growth was attributable to the Group's efforts to actively launch new products, seize the growth opportunities, and increase sales and profits with the pandemic being gradually contained.

Income Tax

The income tax grew by 70.0% from HK$48 million in the first quarter of 2020 to HK$82 million in the second quarter, which was mainly due to substantial rise in the corresponding profit before tax in the second quarter.

Profit for the Period and Profit Attributable to Owners of the Parent from Continuing Operations

In the second quarter of 2020, the net profit after tax of the Group's continuing operations was HK$484 million. The net profit from continuing operations attributable to owners of the parent was HK$438 million.

Profit Attributable to Owners of the Parent from Continuing Operations after Deducting One-off Non-operating Gain

The profit attributable to owners of the parent from continuing operations after deducting one-off non-operating gain in the second quarter was HK$424 million, up by 1,225.0% quarter-on-quarter. The growth was mainly attributable to the Group's efforts to promote new products, seize the opportunities of growth and increase the sales and profits with the pandemic being gradually contained.

Liquidity and Financial Resources

As of 30 June 2020 and 31 March 2020, the cash and cash equivalents were HK$10,758 million and HK$9,368 million, respectively.

Summary of Condensed Consolidated Statement of Cash Flows

	Three months ended	
	30 June 2020	31 March 2020
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Net cash flows from operating activities	**893,819**	8,101
Net cash flows from/(used in) investing activities	**(177,443)**	121,059
Net cash flows from financing activities	**659,197**	1,270,169
Net increase in cash and cash equivalents	**1,375,573**	1,399,329
Cash and cash equivalents at beginning of period	**9,368,197**	8,194,743
Effect of foreign exchange rate change, net	**13,762**	(225,875)
Cash and cash equivalents at end of period	**10,757,532**	9,368,197
Analysis of Balances of Cash and Cash Equivalents:		
Cash and cash equivalents	**9,156,265**	7,651,254
Less: Restricted cash	**(5,664)**	(5,663)
Cash and cash equivalents as stated in the consolidated statement of financial position	**9,150,601**	7,645,591
Cash and cash equivalents to a disposal group classified as held for sale	**1,606,931**	1,722,606
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	**10,757,532**	9,368,197

Net Cash Flows from Operating Activities

The net cash flows from operating activities were the result of deduction of income taxes paid and interest from the cash generated from operations. The cash generated from operations mainly includes profit for the period (after adjustment of non-cash items and operating funds). In the second quarter of 2020, the net cash flows from operating activities was HK$894 million, resulting from deduction of HK$110 million of income taxes paid and HK$30 million of interest paid from the HK$1,030 million cash generated from operations. The cash generated from operations in the second quarter of 2020 was mainly caused by HK$570 million of profit before tax and comprising of the increase of HK$400 million in trade payables, reduction of HK$850 million in inventories and increase of HK$1,040 million in trade receivables.

Net Cash Flows Used in Investing Activities

In the second quarter of 2020, the net cash used in investing activities were HK$177 million, which was caused by the net cash outflow of HK$140 million in financial assets at fair value through profit or loss.

Net Cash Flows from Financing Activities

In the second quarter of 2020, the cash flows from financing activities were HK$659 million, which was caused by the net cash inflows of HK$590 million from net changes in new loans.

Comparison between the First Half Year of 2020 and the First Half Year of 2019

The table below lists and compares the figures of the first half year of 2020 and the first half year of 2019:

	Six months ended	
	30 June 2020	30 June 2019
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
		(restated)
CONTINUING OPERATIONS		
Revenue	**17,277,079**	17,824,606
Cost of sales	**(13,732,591)**	(14,414,494)
Gross profit	**3,544,488**	3,410,112
Other revenue and gains	**467,276**	1,100,036
Selling and distribution expenses	**(2,126,827)**	(2,185,232)
Administrative expenses	**(526,015)**	(513,424)
Research and development costs	**(512,758)**	(357,045)
Other operating expenses	**(6,780)**	(4,308)
Impairment losses on financial assets, net	**(3,104)**	(16,910)
	836,280	1,433,229
Finance costs	**(82,764)**	(70,528)
Share of profits and losses of:		
– Joint ventures	**6,894**	6,318
– Associates	**(106,470)**	14,240
Profit before tax from continuing operations	**653,940**	1,383,259
Income tax	**(130,676)**	(80,001)
Profit for the period from continuing operations	**523,264**	1,303,258
Profit for the period from a discontinued operation	**65,897**	65,294
Profit for the period	**589,161**	1,368,552
Profit attributable to owners of the parent		
– For the period (included a discontinued operation)	**535,872**	1,362,015
– From continuing operations	**469,975**	1,296,721
Profit attributable to owners of the parent after deducting one-off non-operating gain		
– For the period (included a discontinued operation)	**521,393**	553,920
– From continuing operations	**455,496**	488,626

Revenue

The Group's revenue from continuing operations declined by 3.1% year-on-year from HK$17,825 million in the first half year of 2019 to HK$17,277 million in the first half year of 2020. The table below shows our revenue by business for the six months ended 30 June 2020 and 30 June 2019:

	Six months ended			
	30 June 2020 (unaudited)		30 June 2019 (unaudited)	
	HK$'000	**Proportion in the total revenue**	*HK$'000* *(restated)*	Proportion in the total revenue
TCL brand TV business				
– Overseas	**10,322,596**	**59.7%**	10,768,357	60.4%
– the PRC	**4,394,018**	**25.4%**	6,217,984	34.9%
Internet services				
– the PRC	**396,574**	**2.3%**	133,192	0.7%
– Overseas	**124,484**	**0.7%**	96,486	0.5%
Others#	**2,039,407**	**11.9%**	608,587	3.5%
Total revenue	**17,277,079**	**100.0%**	17,824,606	100.0%

Others mainly comprises revenue from smart home, smart commercial display and Smart AV businesses

TV Business

Overseas

Revenue of TCL brand TV in overseas markets dropped by 4.1% year-on-year from HK$10,768 million in the first half year of 2019 to HK$10,322 million in the first half year of 2020. In terms of sales volume, it increased by 3.4% year-on-year from 7.07 million sets in the first half year of 2019 to 7.31 million sets in the first half year of 2020.

The sales volume in North America for the first quarter of 2020 recorded a year-on-year decline, mainly because trade friction between China and the U.S. concerned some distributors who significantly piled up inventories in the first quarter of 2019. The sales volume in North America for the first quarter of 2019 recorded year-on-year growth of 112.0%, resulting in an unusually high basis to compare this year. Despite the outbreak of pandemic in the world, the Group made rapid response to and deployment for dynamic changes in the market and demand. In the second quarter of 2020, sales volume in overseas recorded strong growth comparing to the preceding quarter, resulting in a single digit year-on-year growth of sales volume in overseas markets for the first half of 2020.

The decline in revenue was mainly attributable to the impact on ASP due to change in geographic structure and market strategies the Group applied to cope with the pandemic.

The PRC

Revenue of TCL brand TV in the PRC market decreased by 29.3% year-on-year from HK$6,218 million in the first half year of 2019 to HK$4,394 million in the first half year of 2020. The decline was mainly because the offline sales in the PRC market was heavily impacted by the pandemic, the Group optimised its online and offline sales channels, and proactively deployed online distribution channel while the ASP of online sales was relatively lower than offline channels. In the first half year of 2020, 2.77 million TV sets were sold by the Group, with a year-on-year decrease of 14.5%. Online sales volume in this period increased by 13.4% year-on-year, representing 50.0% of total sales volume in the PRC, versus 37.7% for the same period last year.

Internet Services

The PRC

In the first half year of 2020, the Group's revenue from the domestic Internet business (mainly relevant business of Falcon Network Technology) rocketed by 197.7% year-on-year from HK$133 million in the first half year of 2019 to HK$397 million in 2020, partially because Falcon Network Technology has been consolidated into the Group since April 2019. Additionally, Falcon Network Technology's operation capability continuously enhanced and in the first half of 2020, revenue from its membership business, value-added business and advertising business increased by 76.6%, 136.5% and 1.5% year-on-year, respectively. ARPU of Falcon Network Technology reached HK$23.9 in the first half of 2020, surging by 28.8% year-on-year.

Overseas

In the first half year of 2020, the Group's revenue from the overseas Internet business increased by 29.0% year-on-year from HK$96 million in the first half year of 2019 to HK$124 million in the first half year of 2020.

Gross Profit and Gross Profit Margin

The overall gross profit in the first half year of 2020 was HK$3,544 million, up by 3.9% year-on-year from HK$3,410 million in the first half year of 2019. The gross profit margin was 20.5% in the first half year of 2020, up by 1.4 percentage point year-on-year.

TV Business

Overseas

The gross profit margin of the TCL brand TV in the overseas markets increased by 2.2 percentage points from 15.1% in the first half year of 2019 to 17.3% in 2020. The increase was attributable to improvement in geographic structure due to higher proportion in sales volume from high gross profit margin markets.

The PRC

The gross profit margin of the TCL brand TV in the PRC market decreased by 1.1 percentage points from 24.6% in the first half year of 2019 to 23.5% in 2020. The decrease was mainly attributable to the promotion campaigns actively conducted by the Group to drive up sales and profits after the pandemic was gradually contained.

Other Revenue and Gains

Other revenue and gains decreased by 57.5% year-on-year from HK$1,100 million in the first half year of 2019 to HK$467 million in 2020. The gap was mainly because the one-off gain of HK$787 million on the fair value remeasurement of 44.44% pre-existing equity interest of Falcon Network Technology was included in the first half of 2019.

Selling and Distribution Expenses

The selling and distribution expenses dropped by 2.7% year-on-year from HK$2,185 million in the first half year of 2019 to HK$2,127 million in 2020, mainly attributable to lower expenditure on advertisement during the pandemic.

Administrative Expenses

The administrative expenses grew by 2.5% year-on-year from HK$513 million in the first half year of 2019 to HK$526 million in 2020, mainly attributable to increase in legal and professional fee.

Research and Development Costs

The research and development costs grew by 43.6% year-on-year from HK$357 million in the first half year of 2019 to HK$513 million in 2020. The growth was mainly attributable to the Group's increased investment in "AI x loT" and other frontier technologies for its long-term development.

Impairment Losses on Financial Assets, Net

The net impairment on financial assets decreased by 81.6% year-on-year from HK$17 million in the second half year of 2019 to HK$3 million in 2020. The decrease was mainly because the Group has strengthened its credit management.

Finance Costs

The finance costs increased by 17.4% year-on-year from HK$71 million in the first half year of 2019 to HK$83 million in 2020. The increase was mainly because of the newly added loans.

Share of Profits and Losses

The share of losses in the first half year of 2020 was HK$100 million, while the share of profits in the first half year of 2019 was HK$21 million. The losses were mainly due to exchange fluctuation of SEMP TCL.

Profit Before Tax from Continuing Operations

The profit before tax from continuing operations decreased by 52.7% year-on-year from HK$1,383 million in the first half year of 2019 to HK$654 million in 2020. The gap was mainly because the one-off gain of HK$787 million on the fair value remeasurement of 44.44% pre-existing equity interest of Falcon Network Technology was included in the first half year of 2019.

Income Tax

The income tax rose by 63.3% year-on-year from HK$80 million in the first half year of 2019 to HK$131 million in the first half year of 2020, mainly due to the increase in pre-tax profits of overseas subsidiaries and the increase of accrued income tax. One-off gain on fair value remeasurement of 44.44% equity interest in Falcon Network Technology in 2019 did not have impact on income tax.

Profit for the Period and Profit Attributable to Owners of the Parent from Continuing Operations

The net profit from continuing operations decreased by 59.9% year-on-year from HK$1,303 million in the first half year of 2019 to HK$523 million in 2020. The net profit from continuing operations attributable to owners of the parent was HK$470 million, a year-on-year decrease of 63.8%.

Profit Attributable to Owners of the Parent from Continuing Operations after Deducting One-off Non-operating Gain

The one-off gain in the first half year of 2019 primarily comprised HK$787 million on the fair value remeasurement of 44.44% pre-existing equity interest of Falcon Network Technology. The profit attributable to owners of the parent from continuing operations after deducting one-off non-operating gain in the first half year of 2020 was HK$455 million, down by 7.0% year-on-year, which was mainly due to the Group's increased investment in "AI x loT" and other frontier technologies for its long-term development.

FINANCIAL REVIEW

Significant Investments, Acquisitions and Disposals

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) ("TCL King (Chengdu)") entered into a sale and purchase agreement with Shenzhen China Star Optoelectronics Technology Co., Ltd* (深圳市華星光電技術有限公司) ("CSOT"), pursuant to which, CSOT has conditionally agreed to acquire and TCL King (Chengdu) (as the seller) has conditionally agreed to sell the 14.00% equity interest in TCL Finance Co., Ltd.* (TCL集團財務有限公司) held by TCL King (Chengdu) at the consideration of approximately RMB255 million (equivalent to approximately HK$290 million). The aforesaid transaction has been completed. For details, please refer to the Company's announcement dated 12 August 2019.

On 3 June 2020 (after trading hours), TCL Netherlands B.V. ("TCL NL"), SEMP Amazonas S.A. ("STA"), SEMP TCL, Affonso Brandão Hennel and TCL Overseas Consumer Electronics Limited ("OCE") (each of TCL NL and OCE being an indirect wholly-owned subsidiary of the Company) entered into a share purchase agreement, pursuant to which, among others, STA conditionally agreed to sell and TCL NL conditionally agreed to acquire 40% equity interest of SEMP TCL at the consideration of which is subject to a maximum price of R$325,407,278.84 (equivalent to approximately HK$484,922,000). As at the date of the share purchase agreement, SEMP TCL was owned 40% and 60% by OCE and STA respectively. TCL NL would acquire from OCE the entire equity interests held by OCE in SEMP TCL on the closing date of the aforesaid transaction. Therefore, upon closing, SEMP TCL would be owned 80% and 20% by the Group (via TCL NL) and STA respectively, hence SEMP TCL would become an indirect subsidiary of the Company. The transaction was completed on 20 July 2020 (São Paulo time). Further details of this transaction are set out in the Company's announcements dated 3 June 2020 and 21 July 2020 respectively.

On 29 June 2020, T.C.L. Industries (H.K.), Zhengjia Investment and the Company entered into a conditional share transfer agreement, pursuant to which Zhengjia Investment conditionally agreed to sell and the Company conditionally agreed to acquire 100% equity interest in TCL Communication at the consideration of RMB1.5 billion. The transaction has not yet been completed as at the date of this announcement. Further details of this transaction are set out in the Company's announcement and circular dated 29 June 2020 and 30 June 2020 respectively.

On 29 June 2020, T.C.L. Industries (H.K.) and the Company entered into a conditional share transfer agreement, pursuant to which the Company conditionally agreed to sell and T.C.L. Industries (H.K.) conditionally agreed to acquire 100% equity interest in Moka International at the consideration of RMB2.5 billion. The transaction has not yet been completed as at the date of this announcement. Further details of this transaction are set out in the Company's announcement and circular dated 29 June 2020 and 30 June 2020 respectively.

Save as disclosed above, the Group has no other significant investment held as at 30 June 2020, nor other material acquisition and disposal of subsidiaries, associates and/or joint ventures during the six months ended 30 June 2020.

Liquidity and Financial Resources

The Group's principal financial instruments to manage liquidity risk 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 2020 amounted to approximately HK$10,757,532,000, of which 0.7% was in Hong Kong dollars, 25.2% in U.S. dollars, 70.6% in Renminbi, 0.7% in Euros and 2.8% in other currencies for overseas operations.

For the purpose of day-to-day liquidity management and future expansion, the Group has access to bank and other borrowings. The bank and other borrowings of the Group as at 30 June 2020 were HK$3,578,596,000 which were interest-bearing at fixed rates ranging from 0.8% to 4.8% and denominated in US dollars and Renminbi. The maturity profile of borrowing was on demand to within five years. It is the intention of the Group to maintain a mix of equity and debt to ensure an efficient capital structure and in view of the reasonable interest rate. There was no material change in available credit facilities when compared with the year ended 31 December 2019 and there was no asset held under finance lease as at 30 June 2020.

As at 30 June 2020, the Group's gearing ratio was 0% since the Group's cash and bank balances of approximately HK$10,757,532,000 were higher than the total interest-bearing bank and other borrowings and lease liabilities of approximately HK$3,696,299,000. Gearing ratio was calculated by net borrowings (i.e. total interest-bearing bank and other borrowings and lease liabilities, less cash and bank balances and restricted cash), divided by equity attributable to owners of the parent. The maturity profile of such borrowings ranged from on demand to within five years.

Pledge of Assets

As at 30 June 2020, the Group had restricted cash balance of HK$5,664,000 (31 December 2019: Nil) pledged as the balance of performance and quality guarantees for the Group.

Capital Commitments and Contingent Liabilities

As at 30 June 2020, the Group had capital commitments of approximately HK$2,230,615,000 (31 December 2019: HK$139,356,000) and HK$241,579,000 (31 December 2019: HK$247,115,000) which were contracted but not provided for and authorised 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 2019 annual report.

Pending Litigation

The Group was not involved in any material litigation as at 30 June 2020.

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 centralise foreign currency management to monitor its total foreign currency exposure, to net off affiliate positions and to consolidate hedging transactions with banks. The Group emphasises 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 2020, the Group had a total of 28,678 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 scheme. Share options carrying rights to subscribe for a total number of 166,280,013 shares remained outstanding as at 30 June 2020.

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 4 May 2018 respectively. Pursuant to the Award Scheme, existing shares of the Company may be purchased from the market or new shares may be subscribed for by the designated trustee out of cash contributed by the Company, and would be held on trust by the designated trustee for the relevant selected persons until such shares are vested with the relevant selected persons in accordance with the rules of the Award Scheme.

FINANCIAL INFORMATION

The following condensed consolidated interim financial statements have not been audited, but have been reviewed by the audit committee of the Company ("Audit Committee").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June		Three months ended 30 June	
		2020	2019	**2020**	2019
		(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
			(restated)		*(restated)*
CONTINUING OPERATIONS					
REVENUE	5	**17,277,079**	17,824,606	**10,277,411**	7,523,973
Cost of sales		**(13,732,591)**	(14,414,494)	**(8,133,029)**	(5,868,195)
Gross profit		**3,544,488**	3,410,112	**2,144,382**	1,655,778
Other revenue and gains		**467,276**	1,100,036	**180,729**	904,348
Selling and distribution expenses		**(2,126,827)**	(2,185,232)	**(1,231,799)**	(1,014,410)
Administrative expenses		**(526,015)**	(513,424)	**(152,244)**	(271,546)
Research and development costs		**(512,758)**	(357,045)	**(259,407)**	(182,547)
Other operating expenses		**(6,780)**	(4,308)	**(306)**	(600)
Impairment losses on financial assets, net		**(3,104)**	(16,910)	**(997)**	(5,507)
		836,280	1,433,229	**680,358**	1,085,516
Finance costs	6	**(82,764)**	(70,528)	**(39,253)**	(28,655)
Share of profits and losses of:					
Joint ventures		**6,894**	6,318	**3,814**	4,643
Associates		**(106,470)**	14,240	**(79,071)**	(3,203)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	7	**653,940**	1,383,259	**565,848**	1,058,301
Income tax	8	**(130,676)**	(80,001)	**(82,276)**	(43,380)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**523,264**	1,303,258	**483,572**	1,014,921
DISCONTINUED OPERATION					
Profit/(loss) for the period from a discontinued operation	9	**65,897**	65,294	**(6,276)**	83,677
PROFIT FOR THE PERIOD		**589,161**	1,368,552	**477,296**	1,098,598

	Six months ended 30 June		Three months ended 30 June	
	2020	2019	**2020**	2019
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(restated)		*(restated)*
OTHER COMPREHENSIVE INCOME/(LOSS)				
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:				
Cash flow hedges:				
Effective portion of changes in fair value of the hedging instruments arising during the period	**(13,836)**	6,038	**(7,365)**	(5,436)
Reclassification adjustments for (gains)/losses included in profit or loss	**15,488**	(13,116)	**7,527**	(8,205)
	1,652	(7,078)	**162**	(13,641)
Exchange differences:				
Translation of foreign operations	**(358,912)**	(86,828)	**(63,057)**	(213,112)
Reclassification adjustments for foreign operations liquidated during the period	**–**	1,656	**–**	–
Reclassification adjustments for associates disposed of or liquidated during the period	**2,908**	377	**(961)**	–
	(356,004)	(84,795)	**(64,018)**	(213,112)
Financial assets at fair value through other comprehensive income:				
Changes in fair value, net of income tax	**10,084**	9,539	**10,084**	9,539
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(344,268)**	(82,334)	**(53,772)**	(217,214)

	Note	Six months ended 30 June 2020 (unaudited) HK$'000	2019 (unaudited) HK$'000 (restated)	Three months ended 30 June 2020 (unaudited) HK$'000	2019 (unaudited) HK$'000 (restated)
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		**(3,430)**	(1,217)	**(3,430)**	(1,217)
Share of other comprehensive income/(loss) of associates		**2,938**	(1,506)	**2,933**	(1,738)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods		**(492)**	(2,723)	**(497)**	(2,955)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX		**(344,760)**	(85,057)	**(54,269)**	(220,169)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**244,401**	1,283,495	**423,027**	878,429
Profit attributable to:					
Owners of the parent		**535,872**	1,362,015	**431,244**	1,088,168
Non-controlling interests		**53,289**	6,537	**46,052**	10,430
		589,161	1,368,552	**477,296**	1,098,598
Total comprehensive income/(loss) attributable to:					
Owners of the parent		**198,454**	1,285,168	**377,132**	876,067
Non-controlling interests		**45,947**	(1,673)	**45,895**	2,362
		244,401	1,283,495	**423,027**	878,429
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	11				
Basic					
– For profit for the period		**HK23.30 cents**	HK60.01 cents		
– For profit from continuing operations		**HK20.43 cents**	HK57.13 cents		
Diluted					
– For profit for the period		**HK23.05 cents**	HK58.70 cents		
– For profit from continuing operations		**HK20.22 cents**	HK55.89 cents		

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2020 (unaudited) *HK$'000***	31 December 2019 (audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**1,387,113**	1,531,460
Investment properties		**105,560**	127,908
Right-of-use assets		**275,634**	285,569
Goodwill		**1,834,840**	1,867,990
Other intangible assets		**140,604**	156,166
Investments in joint ventures		**34,677**	31,323
Investments in associates		**892,008**	1,398,627
Equity investments designated at fair value through other comprehensive income		**137,433**	143,920
Deferred tax assets		**69,678**	85,584
Other deferred assets		**43,578**	44,430
Restricted cash		**2,794**	3,396
Total non-current assets		**4,923,919**	5,676,373
CURRENT ASSETS			
Inventories		**4,752,530**	5,401,416
Trade receivables	12	**5,234,973**	5,993,843
Bills receivable		**2,345,238**	4,167,798
Prepayments, other receivables and other assets		**4,326,953**	2,743,731
Tax recoverable		**84,741**	41,180
Financial assets at fair value through profit or loss		**1,220,561**	961,576
Derivative financial instruments		**129,133**	139,480
Restricted cash		**2,870**	2,431
Cash and cash equivalents		**9,150,601**	8,194,743
		27,247,600	27,646,198
Assets classified as held for sale	9	**4,872,856**	–
Total current assets		**32,120,456**	27,646,198

	Notes	**30 June 2020 (unaudited)** *HK$'000*	31 December 2019 (audited) *HK$'000*
CURRENT LIABILITIES			
Trade payables	13	**6,871,888**	9,396,398
Bills payable		**2,611,200**	2,683,814
Other payables and accruals		**7,473,719**	6,477,884
Interest-bearing bank and other borrowings	14	**2,780,212**	1,648,612
Lease liabilities		**56,104**	80,808
Tax payable		**95,275**	134,708
Derivative financial instruments		**44,863**	44,086
Provisions		**513,462**	689,597
		20,446,723	21,155,907
Liabilities directly associated with assets classified as held for sale	9	**3,688,818**	–
Total current liabilities		**24,135,541**	21,155,907
NET CURRENT ASSETS		**7,984,915**	6,490,291
TOTAL ASSETS LESS CURRENT LIABILITIES		**12,908,834**	12,166,664
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	14	**798,384**	89,286
Lease liabilities		**60,331**	59,621
Deferred tax liabilities		**38,246**	46,840
Other long-term payables		**27,127**	27,252
Derivative financial instruments		**6,867**	6,899
Total non-current liabilities		**930,955**	229,898
Net assets		**11,977,879**	11,936,766
EQUITY			
Equity attributable to owners of the parent			
Issued capital	15	**2,371,437**	2,363,225
Reserves		**9,194,354**	9,216,765
		11,565,791	11,579,990
Non-controlling interests		**412,088**	356,776
Total equity		**11,977,879**	11,936,766

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 2019.

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 2019, 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 disclose in note 2 below.

These unaudited interim condensed consolidated financial statements have been prepared under the historical cost convention, except for derivative financial instruments and certain financial assets which are measured at fair value. Disposal group held for sale is stated at the lower of their carrying amounts and fair values less costs to sell. 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.

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 adopted in the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the new and revised HKFRSs effective as of 1 January 2020.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendments to HKAS 1 and HKAS 8	*Definition of Material*
Amendments to HKFRS 16*	*COVID-19 Related Rent Concessions*

* Early adopted by the Group in current period's financial statements.

The amendments to HKFRS 3 clarify that to be considered as a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

The amendments to HKFRS 9, HKAS 39 and HKFRS 7 provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the consolidated financial statements of the Group as the Group does not have any interest rate hedge relationships.

The amendments to HKAS 1 and HKAS 8 provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

The Group has early adopted the amendments to HKFRS 16 which provides relief to lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The Group elects to adopt the practical expedient to account for the COVID-19 pandemic related rent concession as negative variable lease payments. Accordingly, the Group credited HK$4,432,000 to profit or loss for the rent concessions received by the Group during the period.

The Group has not adopted any other standard, interpretation or amendment that has been issued but has not yet been effective.

3. ISSUED BUT NOT YET EFFECTIVE HKFRSs

Except for the amendments to HKFRS 16, the Group does not early adopt 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 3	*Reference to the Conceptual Framework*[1]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[2]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[1]
Amendments to HKFRSs	*Annual Improvements 2018-2020 Cycle*[1]

[1] Effective for annual periods beginning on or after 1 January 2022
[2] Effective for annual periods beginning on or after 1 January 2023
[3] 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. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised 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 PRC market;
- TCL brand – the overseas markets; and
- ODM business (discontinued during the six months ended 30 June 2020 (note 9));

(b) Internet business segment – advertising, value-added, video-on-demand and membership cards; and

(c) Others segment – comprises 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.

The management of the Company 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 such restated segments would be useful to the users of the unaudited interim condensed consolidated financial statements.

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

	Six months ended 30 June													
	Continuing operations										Discontinued operation			
	TV				Internet business		Others		Total continuing operations		TV		Consolidated	
	TCL brand – the PRC market		TCL brand – overseas markets								ODM business			
	2020 (unaudited) *HK$'000*	2019 (unaudited) *HK$'000* *(restated)*	**2020 (unaudited) *HK$'000***	2019 (unaudited) *HK$'000* *(restated)*	**2020 (unaudited) *HK$'000***	2019 (unaudited) *HK$'000* *(restated)*	**2020 (unaudited) *HK$'000***	2019 (unaudited) *HK$'000* *(restated)*	**2020 (unaudited) *HK$'000***	2019 (unaudited) *HK$'000* *(restated)*	**2020 (unaudited) *HK$'000***	2019 (unaudited) *HK$'000* *(restated)*	**2020 (unaudited) *HK$'000***	2019 (unaudited) *HK$'000* *(restated)*
Sales to external customers	**4,394,018**	6,217,984	**10,322,596**	10,768,357	**521,058**	229,678#	**2,039,407**	608,587	**17,277,079**	17,824,606	**4,484,989**	4,899,797	**21,762,068**	22,724,403
Segment results	**(9,500)**	11,486	**418,821**	440,620	**223,424**	97,149#	**(25,235)**	38,156	**607,510**	587,411	**68,874**	69,978	**676,384**	657,389
Corporate income, net									**129,682**	804,139##	**–**	–	**129,682**	804,139##
Finance costs									**(82,764)**	(70,528)	**(5,574)**	(2,481)	**(88,338)**	(73,009)
Interest income									**99,088**	41,679	**15,514**	12,041	**114,602**	53,720
Share of profits and losses of:														
Joint ventures	**(3)**	(6)	**6,884**	6,324	**13**	–	**–**	–	**6,894**	6,318	**–**	–	**6,894**	6,318
Associates	**(6,573)**	10,504	**(109,250)**	(11,154)	**10,931**	13,257	**(1,578)**	1,633	**(106,470)**	14,240	**–**	–	**(106,470)**	14,240
Profit before tax									**653,940**	1,383,259	**78,814**	79,538	**732,754**	1,462,797
Income tax									**(130,676)**	(80,001)	**(12,917)**	(14,244)	**(143,593)**	(94,245)
Profit for the period									**523,264**	1,303,258	**65,897**	65,294	**589,161**	1,368,552

Falcon Network Technology Group has been consolidated into the Group's consolidated financial statements since April 2019, therefore its revenue and operating results in the first quarter of 2019 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.

5. REVENUE

An analysis of revenue from continuing operations is as follows:

	Six months ended 30 June	
	2020	2019
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
		(restated)
Revenue from contracts with customers	**17,277,079**	17,824,606

Disaggregated revenue information from continuing operations for revenue from contracts with customers

For the six months ended 30 June 2020

Segments	**TV and other products (unaudited)** ***HK$'000***	**Internet business (unaudited)** ***HK$'000***	**Total (unaudited)** ***HK$'000***
Types of goods or services			
Sale of goods	**16,756,021**	**25,670**	**16,781,691**
Video-on-demand services	**–**	**130,336**	**130,336**
Advertising, value-added and other services	**–**	**365,052**	**365,052**
Total revenue from contracts with customers	**16,756,021**	**521,058**	**17,277,079**
Geographical markets			
Mainland China	**5,412,667**	**396,574**	**5,809,241**
Europe	**1,462,955**	**–**	**1,462,955**
North America	**5,381,025**	**8,837**	**5,389,862**
Emerging markets	**4,499,374**	**115,647**	**4,615,021**
Total revenue from contracts with customers	**16,756,021**	**521,058**	**17,277,079**
Timing of revenue recognition			
Goods transferred at a point in time	**16,756,021**	**25,670**	**16,781,691**
Services transferred over time	**–**	**130,336**	**130,336**
Services transferred at a point in time	**–**	**365,052**	**365,052**
Total revenue from contracts with customers	**16,756,021**	**521,058**	**17,277,079**

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

For the six months ended 30 June 2019

Segments	TV and other products (unaudited) *HK$'000* *(restated)*	Internet business (unaudited) *HK$'000* *(restated)*	Total (unaudited) *HK$'000* *(restated)*
Types of goods or services			
Sale of goods	17,594,928	227	17,595,155
Video-on-demand services	–	30,379	30,379
Advertising, value-added and other services	–	199,072	199,072
Total revenue from contracts with customers	17,594,928	229,678	17,824,606
Geographical markets			
Mainland China	6,498,046	133,655	6,631,701
Europe	1,203,025	–	1,203,025
North America	6,333,731	14,807	6,348,538
Emerging markets	3,560,126	81,216	3,641,342
Total revenue from contracts with customers	17,594,928	229,678	17,824,606
Timing of revenue recognition			
Goods transferred at a point in time	17,594,928	227	17,595,155
Services transferred over time	–	30,379	30,379
Services transferred at a point in time	–	199,072	199,072
Total revenue from contracts with customers	17,594,928	229,678	17,824,606

6. FINANCE COSTS

	Six months ended 30 June	
	2020	2019
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
		(restated)
Interest on:		
Bank and other loans	**79,990**	63,213
Loans from a company controlled by TCL Technology Group Corporation ("TCL Technology")	**338**	–
Loans from companies controlled by TCL Industries Holdings Co., Ltd. ("TCL Holdings")	**269**	–
Discounted bills receivable from a company controlled by TCL Technology	**129**	–
Discounted bills receivable from an associate	**–**	3,971
Interest expense on lease liabilities	**2,038**	3,344
Total finance costs for the period from continuing operations	**82,764**	70,528

7. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2020	2019
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
		(restated)
Depreciation of property, plant and equipment	**84,750**	83,062
Depreciation of investment properties	**1,552**	1,623
Depreciation of right-of-use assets	**40,489**	40,192
Amortisation of other intangible assets	**13,010**	9,975
Employee share-based compensation benefits under the Award Scheme	**777**	14,946
Equity-settled share option expense	**7,549**	17,663

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (30 June 2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 (30 June 2019: HK$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. 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	
	2020	2019
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
		(restated)
Current – Hong Kong		
Charge for the period	**43,305**	–
Current – Elsewhere		
Charge for the period	**79,634**	61,289
Underprovision in prior periods	**11,091**	7,625
Deferred	**(3,354)**	11,087
Total tax charge for the period from continuing operations	**130,676**	80,001

9. DISCONTINUED OPERATION

On 29 June 2020, the Company and T.C.L. Industries (H.K.) entered into a conditional share transfer agreement, pursuant to which T.C.L. Industries (H.K.) has conditionally agreed to acquire from the Company and the Company has conditionally agreed to transfer to T.C.L. Industries (H.K.) its 100% equity interest in Moka International, at a consideration of RMB2,500,000,000, which is to be satisfied in cash. Moka International and its subsidiaries (collectively, "Moka International Group") are principally engaged in TV ODM business. The Group will not involve in the TV ODM business after completion of the disposal.

On 28 July 2020, the conditional share transfer agreement and the transactions contemplated thereunder were approved by the shareholders of the Company in an extraordinary general meeting of the Company. The completion of transaction is still subject to the satisfaction of other conditions precedent. The disposal of Moka International Group is expected to be completed at the end of August 2020. As at 30 June 2020, the business of Moka International Group was classified as a disposal group held for sale and as a discontinued operation. The TV ODM business segment is reported as a discontinued operation in the Group's consolidated financial statements.

The results of Moka International Group for the period are presented below:

	Six months ended 30 June	
	2020	2019
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Revenue	**4,484,989**	4,899,797
Cost of sales	**(4,250,349)**	(4,585,963)
Gross profit	**234,640**	313,834
Other revenue and gains	**112,469**	68,183
Selling and distribution costs	**(80,977)**	(99,500)
Administrative expenses	**(93,161)**	(94,949)
Research and development costs	**(88,089)**	(105,268)
Other operating expenses	**(494)**	(32)
Impairment losses on financial assets, net	**–**	(249)
	84,388	82,019
Finance costs	**(5,574)**	(2,481)
Profit before tax from the discontinued operation	**78,814**	79,538
Income tax:		
Related to pre-tax profit	**(12,917)**	(14,244)
Profit for the period from the discontinued operation	**65,897**	65,294

The major classes of assets and liabilities of Moka International Group classified as held for sale as at 30 June 2020 are as follows:

	30 June
	2020
	(unaudited)
	HK$'000
Assets	
Property, plant and equipment	**124,163**
Right-of-use assets	**786**
Deferred tax assets	**14,322**
Inventories	**700,591**
Trade receivables	**1,167,370**
Bills receivable	**767,277**
Prepayments, other receivables and other assets	**463,559**
Tax recoverable	**1,285**
Derivative financial instruments	**26,572**
Cash and cash equivalents	**1,606,931**
Assets classified as held for sale	**4,872,856**

	30 June 2020 (unaudited) *HK$'000*
Liabilities	
Trade payables	**1,910,837**
Bills payable	**661,852**
Other payables and accruals	**864,297**
Lease liabilities	**1,268**
Tax payable	**17,580**
Derivative financial instruments	**26,822**
Provisions	**202,127**
Deferred tax liabilities	**4,035**
Liabilities directly associated with assets classified as held for sale	**3,688,818**
Net assets directly associated with the disposal group	**1,184,038**

	Six months ended 30 June	
	2020 **(unaudited)**	2019 (unaudited)
Earnings per share from the discontinued operation:		
Basic	**HK2.87 cents**	HK2.88 cents
Diluted	**HK2.83 cents**	HK2.81 cents

The calculations of basic and diluted earnings per share from Moka International Group are based on:

	Six months ended 30 June	
	2020 **(unaudited)**	2019 (unaudited)
Profit attributable to ordinary equity holders of the parent from the discontinued operation	**HK$65,897,000**	HK$65,294,000
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation *(note 11)*	**2,300,000,339**	2,269,633,346
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation *(note 11)*	**2,324,466,156**	2,320,129,539

10. DIVIDENDS

	Six months ended 30 June	
	2020	2019
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Interim dividend – HK9.70 cents (30 June 2019: HK10.56 cents) per ordinary share	**230,029**	249,275

11. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

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

	Six months ended 30 June	
	2020	2019
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
		(restated)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations:		
From continuing operations	**469,975**	1,296,721
From the discontinued operation	**65,897**	65,294
	535,872	1,362,015

	Number of shares Six months ended 30 June	
	2020	2019
	(unaudited)	(unaudited)
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	**2,300,000,339**	2,269,633,346
Effect of dilution – weighted average number of ordinary shares:		
Share options	**3,629,814**	10,441,904
Awarded shares	**20,836,003**	40,054,289
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation	**2,324,466,156**	2,320,129,539

12. 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.

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 2020 (unaudited)	31 December 2019 (audited)
	HK$'000	*HK$'000*
Current to 90 days	**4,348,474**	5,243,566
91 to 180 days	**504,901**	375,080
181 to 365 days	**69,572**	156,633
Over 365 days	**453,618**	409,538
	5,376,565	6,184,817
Impairment allowance	**(141,592)**	(190,974)
	5,234,973	5,993,843

Included in the Group's trade receivables are receivables to be factored of HK$412,149,000 (31 December 2019: HK$95,770,000), which are classified as financial assets at fair value through profit or loss. The remaining trade receivables with gross carrying amount of HK$4,964,416,000 (31 December 2019: HK$6,089,047,000) are measured at amortised cost.

13. 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 2020 (unaudited) *HK$'000*	31 December 2019 (audited) *HK$'000*
Current to 90 days	**6,074,664**	8,885,987
91 to 180 days	**579,204**	217,802
181 to 365 days	**17,127**	79,237
Over 365 days	**200,893**	213,372
	6,871,888	9,396,398

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

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2020 (unaudited) *HK$'000*	31 December 2019 (audited) *HK$'000*
Current		
Bank loans – unsecured	**2,724,068**	1,486,171
Trust receipt loans – unsecured	**56,144**	142,349
Other loans – unsecured	**–**	20,092
	2,780,212	1,648,612
Non-current		
Bank loans – unsecured	**778,678**	89,286
Other loans – unsecured	**19,706**	–
	798,384	89,286
	3,578,596	1,737,898
Analysed into:		
Bank and other loans repayable:		
Within one year or on demand	**2,780,212**	1,648,612
In the second year	**692,040**	669
In the third to fifth years	**106,344**	88,617
	3,578,596	1,737,898

Notes:

(a) As at 30 June 2020 and 31 December 2019, the carrying amounts of the Group's bank and other borrowings approximated to their fair values.

(b) TCL Holdings together with TCL Technology have guaranteed certain of the Group's bank loans up to HK$1,299,859,000 (31 December 2019: HK$311,473,000) and TCL Technology has individually guaranteed certain of the Group's bank loans up to HK$777,965,000 (31 December 2019: HK$399,207,000) as at the end of the reporting period.

15. SHARE CAPITAL

	30 June 2020 (unaudited) *HK$'000*	31 December 2019 (audited) *HK$'000*
Authorised:		
3,000,000,000 (31 December 2019: 3,000,000,000) shares of HK$1.00 each	**3,000,000**	3,000,000
Issued and fully paid:		
2,371,437,404 (31 December 2019: 2,363,224,646) shares of HK$1.00 each	**2,371,437**	2,363,225

During the six months ended 30 June 2020, the subscription rights attaching to 7,060,984, 480,692, 330,993 and 340,089 share options were exercised at the subscription prices of HK$3.3918, HK$3.7329, HK$4.1520 and HK$3.5700 per share, respectively, resulting in the issue of an aggregate of 8,212,758 shares of HK$1.00 each for a total cash consideration of HK$28,332,000 before expenses.

16. EVENTS AFTER THE REPORTING PERIOD

(a) On 3 June 2020 (after trading hours), TCL NL, STA, SEMP TCL, Affonso Brandão Hennel and OCE (each of TCL NL and OCE being an indirect wholly-owned subsidiary of the Company) entered into a share purchase agreement, pursuant to which, among others, STA conditionally agreed to sell and TCL NL conditionally agreed to acquire 40% equity interest of SEMP TCL at the consideration of which is subject to a maximum price of R$325,407,278.84 (equivalent to approximately HK$463,478,000).

As at the date of the share purchase agreement, SEMP TCL was owned 40% and 60% by OCE and STA respectively. TCL NL would acquire from OCE the entire equity interests held by OCE in SEMP TCL on the closing date of the aforesaid transaction. Therefore, upon closing, SEMP TCL would be owned 80% and 20% by the Group (via TCL NL) and STA respectively, hence SEMP TCL would become an indirect subsidiary of the Company.

The transaction was completed as at the date of approval of these condensed consolidated financial statements. Further details of this transaction are set out in the Company's announcements dated 3 June 2020 and 21 July 2020 respectively.

(b) On 29 June 2020, Zhengjia Investment, T.C.L. Industries (H.K.) and the Company entered into a conditional share transfer agreement, pursuant to which the Company has conditionally agreed to acquire from Zhengjia Investment and Zhengjia Investment has conditionally agreed to transfer to the Company its 100% equity interest in TCL Communication, at a consideration of RMB1,500,000,000, which is to be financed by the proceeds from the disposal of 100% equity interest in Moka International.

Meanwhile, the Company and T.C.L. Industries (H.K.) entered into a conditional share transfer agreement, pursuant to which T.C.L. Industries (H.K.) has conditionally agreed to acquire from the Company and the Company has conditionally agreed to transfer to T.C.L. Industries (H.K.) its 100% equity interest in Moka International, at a consideration of RMB2,500,000,000, which is to be satisfied in cash.

The above acquisition and disposal are inter-conditional. Upon completion, TCL Communication will become a wholly-owned subsidiary of the Company and Moka International will cease to be a subsidiary of the Company.

The transactions were not yet completed as at the date of approval of these condensed consolidated financial statements. Further details of these transactions are set out in the Company's announcement dated 29 June 2020 and circular dated 30 June 2020.

17. COMPARATIVE AMOUNTS

The comparative consolidated statement of profit or loss and other comprehensive income has been re-presented as if the operation classified as discontinued operation during the period had been discontinued at the beginning of the comparative period (note 9). Certain comparative amounts have been reclassified to conform with the current period's presentation and disclosures.

OTHER INFORMATION

PURCHASES, SALE OR REDEMPTION OF SHARES

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the shares of the Company during the six months ended 30 June 2020.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend for the six months ended 30 June 2020, of HK9.70 cents (30 June 2019: HK10.56 cents) in cash per share out of the share premium account of the Company.

Under section 34(2) of the Companies Law of the Cayman Islands, the share premium account may be applied by a company in paying dividends to members provided that no dividend may be paid to members out of the share premium account unless, immediately following the date on which the dividend is proposed to be paid, the company shall be able to pay its debts as they fall due in the ordinary course of business. Subject to the foregoing, the said interim dividend will be payable on or about 23 October 2020, Friday to shareholders whose names appear on the register of members of the Company at the close of business at 4:30 p.m. on 7 October 2020, Wednesday.

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 7 October 2020, Wednesday. 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 7 October 2020, Wednesday. The register of members of the Company will be closed from 8 October 2020, Thursday to 9 October 2020, Friday (both dates inclusive). No transfer of shares may be registered during the said period.

CORPORATE GOVERNANCE

The Company has established and will continue to optimise 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 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 2020, 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 deviations from Code Provisions D.1.4, E.1.2 and F.1.1.

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, Mr. Robert Maarten WESTERHOF and Dr. TSENG Shieng-chang Carter, both being independent non-executive Directors. As all 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, and so 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, shareholders of the Company are given information that is reasonably necessary for them to make an informed decision on the re-appointment of the relevant Directors.

Under Code Provision E.1.2, the chairman of the board should attend the annual general meeting ("AGM"). 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 Mr. LI Dongsheng (being the chairman of the Board and an executive Director), he was not present at the AGM held on 2 June 2020 ("2020 AGM"). However, Mr. LAU Siu Ki (being the chairman of the Audit Committee and an independent non-executive Director), Professor WANG Yijiang (being the chairman of the nomination committee of the Company and an independent non-executive Director) and 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 2020 AGM to maintain an ongoing dialogue and communicate with the shareholders and encourage their participation.

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") being a practising solicitor in Hong Kong and a partner of the Company's legal advisor, Messrs. Cheung Tong & Rosa Solicitors, is not an employee of the Company. Mr. HU Lihua, the executive Director and the chief financial officer of the Company, has been assigned as the 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 Ms. CHOY 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 of the Company 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 interim condensed consolidated financial statements for the six months ended 30 June 2020, including the accounting principles adopted by the Group, with the Company's management. As at the date of this announcement, the Audit Committee comprises three members, namely Mr. LAU Siu Ki (chairman), Dr. TSENG Shieng-chang Carter and Professor WANG Yijiang, all being independent non-executive Directors. Mr. YANG Anming had been a member of the Audit Committee until his resignation with effect from 28 February 2020.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

The Company has adopted a model code of conduct regarding securities transactions by directors of the Company on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (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 six months ended 30 June 2020.

COMPLIANCE WITH DEED OF NON-COMPETITION

The Company has received two confirmations (the "Confirmations") from TCL Technology and T.C.L. Industries (H.K.) (collectively the "Covenantors") signed by them confirming that for the period from 1 January 2020 to 30 June 2020 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").

On 29 June 2020, TCL Technology, T.C.L. Industries (H.K.) and the Company conditionally entered a deed of termination, pursuant to which each of the parties has agreed to, among others, terminate the Deed of Non-Competition. On the same day, TCL Holdings, T.C.L. Industries (H.K.) and the Company conditionally entered into a deed of non-competition in favour of the Company, whereby each of TCL Holdings and T.C.L. Industries (H.K.) has undertaken not to (save for certain exceptions), directly or indirectly, carry on or be engaged or interested in the manufacture and assembly of TCL brand TVs and smart phones. The aforesaid deed of termination and deed of non-competition are not yet effective as at the date of this announcement. Further details are set out in the Company's announcement and circular dated 29 June 2020 and 30 June 2020 respectively.

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.

On behalf of the Board
LI Dongsheng
Chairman

Hong Kong, 25 August 2020

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.*

As at the date of this announcement, the Board comprises Mr. LI Dongsheng, Mr. WANG Cheng Kevin, Mr. YAN Xiaolin and Mr. HU Lihua as executive Directors, Mr. Albert Thomas DA ROSA, Junior, Mr. SUN Li, and Mr. LI Yuhao as non-executive Directors and Mr. Robert Maarten WESTERHOF, Dr. TSENG Shieng-chang Carter, Professor WANG Yijiang and Mr. LAU Siu Ki as independent non-executive Directors.