Stock Code: 000100 **Stock Name: TCL** **Announcement No. 2019-111**

TCL CORPORATION
TCL 集团股份有限公司

创意感动生活
The Creative Life

INTERIM REPORT 2019 (SUMMARY)

13 August 2019

Maximize Efficiency & Promote Change and Innovation

Chairman's Statement

Dear shareholders, business partners and employees,

TCL continued to promote business reform and transformation in the first half of 2019. In face of the harsh competition, All the employees faced the challenges like brave soldiers. We will survive by maximizing cost efficiency and grow by promoting change, innovation and exploration. Our competitiveness keeps rising. **This April, TCL successfully span off the intelligent terminal and related businesses through restructuring and shifted from diversified operations to focused operations on the semi-conductor display and materials business. The company also engaged in industrial financing and investment based on its main business.** The restructuring has enabled TCL to further improve its operating strategy, optimize its organizational flow and enhance operating efficiency and competitiveness. For the six months ended 30 June 2019, TCL achieved pro forma operating revenue of RMB26.12 billion, up by 23.9% year-on-year; and a pro forma net profit of RMB2.64 billion, representing a year-on-year growth rate of 69.9%. And it has reached its budget for the first half of the year generally. Through the restructuring, both the capital structure and the operating efficiency of the company have further improved. In the first half of the year, the per-capita net profit increased from RMB18,800 to RMB66,600, the debt/assets ratio dropped from 68.4% to 60.4%, and the net cash generated from operating activities amounted to RMB6.15 billion, suggesting much greater sustainability of the company.

To further improve the shareholder value, TCL put forward a share repurchase programme of RMB1.5~2.0 billion in the first half of the year, of which RMB1.56 billion has been used so far. And it will complete the remaining repurchases according to the market conditions. In addition, I have personally bought another 174.575 million TCL shares since December 2018 with absolute faith in the long-term outlook for TCL.

For H1 2019, TCL's subsidiary CSOT recorded operating revenue of RMB16.28 billion, up by 33.5% year-on-year; and a net profit of RMB1.02 billion, down by 7.83% year-on-year, primarily because of a considerable drop in display prices. However, CSOT still managed to achieve a higher sales volume and sales revenue through maximizing efficiency and cost control, enhancing product and technological capability, as well as improving the product mix. The LTPS business, in particular, over-fulfilled the operating objectives with the world's second largest market share. CSOT's operating efficiency and profitability remain in the top tier of the industry.

TCL's industrial financing and investment and other businesses continued to improve in operating performance in the first half of the year. The relevant gains on asset disposal were recognized in the current period, making a positive contribution to the overall profit growth of TCL.

Product and technological innovation is the key impetus for the development of a company. CSOT spent RMB2.13 billion on R&D in the first half of the year. It is an industry leader in LTPS. It has started to ramp up the production capacity and yield rate of its flexible AMOLED products and is expected to reach mass production by the end of the year. In the meantime, it puts in a great deal of effort to develop large-size commercial display and high-end 4K and 8K products, as well as display products for e-sports, vehicles, etc. By expanding its products and their application in a horizontal manner, CSOT aims to boost its revenue and earnings.

CSOT is also proactively working on the next-generation display technologies, manufacturing processes and materials, including Mini-LED on TFT, foldable and fully flexible AMOLED and AMOLED for handsets with an under-screen camera. The "Guangdong Juhua Flexible and Printed Display Technology Platform" led by CSOT has become a leader of the next-generation of display technology, with the product and technological innovation achievements made by the platform highly recognized in the industry. CSOT filed for 1,056 PCT patents during H1 2019, making it one of the companies with the most filings in the industry worldwide.

CSOT has maintained business growth by means of maximizing cost efficiency, further streamlining the organizational and business flows, increasing operating quality and improving operating performance.

Looking forward into the rest of the year and the future, global economic growth is expected to become increasingly uncertain. China's economy will inevitably face the escalating risk of the China-U.S. trade friction, as well as from the slowdown in global economic growth caused by trade protectionism and unilateralism. **The China-U.S. trade conflicts will not expect to have a great impact on CSOT's semi-conductor display products because it is an intermediate product and it has balanced markets and a strong customer base. But the display industry may experience a longer trough if the global economy continues declining. As for the other businesses of TCL,**

the China-U.S. trade conflicts have little impact.

Every economic adjustment comes with the reshuffle in the industry. It is both a challenge and an opportunity for a company to reform its products, technologies and business models. In my opinion, despite the continued oversupply, constant pressure on product prices and expanding loss in the global semi-conductor display industry, the current prices are near the bottom; oversupply will be gradually eased with more manufacturers or production capacity being phased out than being unleashed in the coming two years; the global industry will be more concentrated as the fittest survive in the reshuffle; market demand will be boosted by the steadily growing traditional markets and the fast growing commercial display market; and the application of new technologies and new market demand will bring more opportunities to the industry.

Semi-conductor display is one of the most important basic key devices in the electronic information industry. And China has the best chance to be a global leader in the semi-conductor display industry. China has built up its scale and efficiency advantages in the display industry, and is improving its industrial chain. It is getting closer and closer to the globally advanced level in terms of new technology development and patent ownership. Although a trough of capacity reduction lies ahead for the industry, indicating a smaller space for profit, global demand for display products is sure to rise in the medium and long run. The market is enormous. Meanwhile, entry to the display industry is difficult due to high technological and capital barriers, which means that the industry will become more concentrated. Looking at the landscape of the global display industry, Europe and the U.S. are unlikely to return, Japan and Taiwan, China are being pushed out of business, while China and South Korea will become the two major players. Therefore, I have complete confidence in the prospects of the semi-conductor display industry.

I firmly believe that CSOT will remain in the front of the industry in terms of competitiveness, efficiency and profitability; and that it will keep growing as the completed capacity (the t6, t4 and t7 plants) is gradually unleashed. The efficient business structure, strong technological innovation ability and stable capital structure will help CSOT grasp M&A opportunities in the global industry to complete its industrial chain, as well as to boost its scale, efficiency and competitiveness. CSOT will be able to rise against the unfavorable environment as a leader in the global industry.

In a market full of challenges and opportunities, we will stick to our set operating strategy and fulfill every task with no holding back; enhance technological innovation, maximize cost efficiency, and step up globalization; further optimize the business structure and improve the industrial chain;

seize new market opportunities and foster new driving forces of growth; and foster a corporate culture that features entrepreneurship and responsibility to boost internal impetus for growth. CSOT has built up its competitive edges with a stronger presence in the global market. The industrial financing and investment and other businesses of TCL also maintain a good momentum, continuing to contribute revenue and earnings to TCL. In view of the current business and market trends, we are confident of continuing to achieve growth in revenue and profit in the second half of the year, which will lay a solid foundation for our sustained growth.

In the recent years, the Chinese government has been taking measures such as substantial tax and fee cuts to improve the operating environment for enterprises and support the economy, from which the businesses of TCL have benefited to varying degrees. I believe that the ongoing adjustments to China's economic structure will create a better environment for the economy and more opportunities for Chinese enterprises in the globalization aspect. Investment in the economy will be rewarded with better returns.

Aiming to become a global leader of the industry, TCL will keep enhancing competitiveness and maintain healthy growth to make contributions to the economic and social development of China and create more value for shareholders with better financial results.

Li Dongsheng
12 August 2019

Part I Important Notes

This Summary is based on the full text of the 2019 Interim Report of TCL Corporation (together with its consolidated subsidiaries, the "Group" or "Company", except where the context otherwise requires). In order for a full understanding of the Company's operating results, financial condition and future development plans, investors should carefully read the aforesaid full text, which has been disclosed together with this Summary on the media designated by the China Securities Regulatory Commission (the "CSRC").

Independent auditor's modified opinion:

□ Applicable √ Not applicable

Board-approved interim cash and/or stock dividend plan for ordinary shareholders:

The Company has no interim dividend plan, either in the form of cash or stock.

Board-approved interim cash and/or stock dividend plan for preferred shareholders:

□ Applicable √ Not applicable

This Summary has been prepared in both Chinese and English. Should there be any discrepancies or misunderstandings between the two versions, the Chinese version shall prevail.

Part II Key Corporate Information

1. Stock Profile

Stock name	TCL	Stock code	000100
Stock exchange for stock listing	Shenzhen Stock Exchange		
Contact information	Board Secretary		
Name	Liao Qian		
Office address	19/F, Tower B, TCL Building, Gaoxin South First Road, Shenzhen High-Tech Industrial Park, Shenzhen, Guangdong Province, China		
Tel.	0755-3331 1666		
E-mail address	ir@tcl.com		

2. Key Financial Information

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

□ Yes ■ No

Series No.	Item	H1 2019	H1 2018	Change (%)
1	Operating revenue (RMB)（note）	43,781,613,735	52,523,748,293	-16.64
2	EBITDA	8,436,689,169	6,743,386,144	25.11
3	Net profit (RMB)	2,737,062,676	1,700,839,860	60.92

	Net profit attributable to the listed company's shareholders (RMB)	2,092,348,692	1,585,938,283	31.93
	Net profit attributable to the listed company's shareholders before non-recurring gains and losses (RMB)	250,467,130	993,436,861	-74.79
4	Basic earnings per share (RMB/share)	0.1569	0.1173	33.76
	Diluted earnings per share (RMB/share)	0.1544	0.1172	31.74
5	Weighted average return on equity (%)	7.17	5.22	Up by 1.95 percentage points
6	Net cash generated from/used in operating activities (RMB)	6,150,821,822	4,375,228,294	40.58
	Net cash per share generated from/used in operating activities (RMB/share)	0.4539	0.3229	40.57
		30 June 2019	31 December 2018	Change (%)
7	Total assets (RMB)	154,651,894,926	192,763,941,739	-19.77
8	Total owners' equity (RMB)	61,203,199,795	60,871,672,647	0.54
	Owners' equity attributable to the listed company's shareholders (RMB)	30,239,424,011	30,494,364,951	-0.84
9	Share capital (share)	13,549,648,507	13,549,648,507	0.00
10	Equity per share attributable to the listed company's shareholders (RMB/share)	2.2317	2.2506	-0.84

Note: In April 2019, the Company completed the handover of major assets in a restructuring. Therefore, the operating revenue data of H1 2019 and H1 2018 are not comparable as the former only includes the January-March 2019 operating revenue generated by the said assets, while the latter comprises the January-June 2018 such revenue. Upon the recalculation of the H1 2018 operating revenue on the same January-March basis as H1 2019, the H1 2019 operating revenue would be up by 22.5% year-on-year.

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

Total share capital at the end of the last trading session before the disclosure of this Report (share)	13,549,648,507
Fully diluted earnings per share based on the latest total share capital above (RMB/share)	0.1544

Note: After the restructuring, the Company has shifted to a global high-tech conglomerate concentrating on the semi-conductor display and materials business. It is the key operational philosophy and mission of the Company to create value for and grow with the shareholders. In order to effectively protect shareholders' interests and enhance shareholder value, the Company carried out a share repurchase programme during the Reporting Period. Up to the disclosure date of this Summary, 459,659,522 shares have been repurchased, of which 3,875,613 shares have been used for the 2019 Restricted Stock Incentive Plan and the Second Global Innovation Partner Plan and the rest will be kept as treasury shares and used for employee stock ownership plans, equity incentive plans or convertible bonds.

The key financial information of H1 2019 and H1 2018 exclusive of the effects of the businesses of the restructuring (pro forma data presented based on the consolidation scope after the restructuring) is as follows:

Series No.	Item	H1 2019	H1 2018	Change (%)
1	Operating revenue (RMB)	26,119,468,731	21,074,875,211	23.94
2	EBITDA	7,993,437,605	5,558,609,267	43.80
3	Net profit (RMB)	2,643,352,438	1,555,606,917	69.92
	Net profit attributable to the listed company's shareholders (RMB)	2,092,360,755	1,470,636,277	42.28
4	Basic earnings per share (RMB/share)	0.1569	0.1088	44.21
	Diluted earnings per share (RMB/share)	0.1544	0.1087	42.04

5	Weighted average return on equity (%)	7.17	4.71	2.46

Note: The data of H1 2019 and H1 2018 in the table above exclude the results of the businesses of the restructuring.

3. Shareholders and Their Holdings as at 30 June 2019

Unit: share

Number of ordinary shareholders	515,611	Number of preferred shareholders with resumed voting rights (if any)	0

Top 10 shareholders						
Name of shareholder	Nature of shareholder	Shareholding percentage	Number of shares	Restricted shares	Shares in pledge or frozen	
					Status	Shares
Li Dongsheng and his acting-in-concert parties	Domestic natural person	9.02%	1,221,748,009	609,636,366	In pledge	579,480,000
					In pledge	408,899,521
Huizhou Investment Holding Co., Ltd.	State-owned legal person	6.48%	878,419,747			
Hubei Changjiang Hezhi Hanyi Equity Investment Fund Partnership (Limited Partnership)	Domestic non-state-owned legal person	5.42%	733,965,145			
Xinjiang Dongxing Huarui Equity Investment Partnership (Limited Partnership)	Domestic non-state-owned legal person	2.85%	385,778,587		In pledge	152,660,287
China Securities Finance Corporation Limited	Domestic non-state-owned legal person	2.75%	373,231,553			
Beijing Ziguang Investment Co., Ltd.	State-owned legal person	2.73%	370,387,916			
Central Huijin Asset Management Co., Ltd.	State-owned legal person	1.52%	206,456,500			
CDB Innovation Capital Co., Ltd.	State-owned legal person	1.40%	189,685,219			
Guangdong Guangxin Holdings Group Ltd.	State-owned legal person	1.09%	147,760,683			
Hong Kong Securities Clearing Company Ltd.	Foreign legal person	1.01%	136,307,086			
Related or acting-in-concert parties among the shareholders above		Being acting-in-concert parties upon the signing of the Agreement on Acting in Concert, Mr. Li Dongsheng and Xinjiang Jiutian Liancheng Equity Investment Partnership (Limited Partnership) are the biggest shareholder of the Company with a total of 1,221,748,000 shares. Meanwhile, CDB Innovation Capital Co., Ltd., CDB Equipment Manufacturing Industrial Investment Fund Co., Ltd. and CDB Jingcheng (Beijing) Investment Fund Co., Ltd. are acting-in-concert parties as CDB Innovation and CDB Equipment are both controlled by a majority-owned subsidiary of				

	China Development Bank Capital Co., Ltd., and CDB Jingcheng is an investment company managed by a subsidiary of China Development Bank Capital Co., Ltd.
Shareholders involved in securities margin trading (if any)	N/A

4. Change of the Controlling Shareholder or the Actual Controller in the Reporting Period

The biggest shareholder of the Company is Mr. Li Dongsheng and his acting-in-concert parties. And the controlling shareholder and the actual controller of the Company remain unchanged.

5. Number of Preferred Shareholders and Shareholdings of Top 10 of Them

No preferred shareholders in the Reporting Period.

6. Corporate bonds

(1) Bond Profile

Bond name	Abbr.	Bond code	Maturity	Balance (RMB'000)	Coupon rate
TCL Corporation's Corporate Bonds Publicly Offered in 2016 to Qualified Investors (Tranche 1) (Type 2)	16TCL02	112353.SZ	16 March 2021	1,500,000	3.56%
TCL Corporation's Corporate Bonds Publicly Offered in 2016 to Qualified Investors (Tranche 2)	16TCL03	112409.SZ	7 July 2021	2,000,000	3.50%
TCL Corporation's Corporate Bonds Publicly Offered in 2017 to Qualified Investors (Tranche 1)	17TCL01	112518.SZ	19 April 2022	1,000,000	4.80%
TCL Corporation's Corporate Bonds Publicly Offered in 2017 to Qualified Investors (Tranche 2)	17TCL02	112542.SZ	7 July 2022	3,000,000	4.93%
TCL Corporation's Corporate Bonds Publicly Offered in 2018 to Qualified	18TCL01	112717.SZ	6 June 2023	1,000,000	5.48%

Investors (Tranche 1)					
TCL Corporation's Corporate Bonds Publicly Offered in 2018 to Qualified Investors (Tranche 2)	18TCL02	112747.SZ	20 August 2023	2,000,000	5.30%
TCL Corporation's Corporate Bonds Publicly Offered in 2019 to Qualified Investors (Tranche 1)	19TCL01	112905.SZ	20 May 2024	1,000,000	4.33%

(2) Financial Indicators as at 30 June 2019

Item	30 June 2019	31 December 2018	Change (%)
Debt/assets ratio	60.43%	68.42%	-7.99%
Item	H1 2019	H1 2018	Change (%)
EBITDA-to-interest coverage (times)	5.66	7.73	-26.78%

Part III Operating Performance Discussion and Analysis

(I) Overview

The Company focused on its core business and achieved solid growth in operating results in the first half of 2019. This April, TCL successfully spun off the intelligent terminal and related business in restructuring and shifted from diversified operations to focused operations on the semi-conductor display and materials business. The company also engaged in industrial financing and investment based on the main business. On a pro forma basis, for H1 2019, the Company achieved operating revenue of RMB26.12 billion, up by 23.9% year-on-year; and a net profit of RMB2.64 billion, representing a year-on-year growth of 69.9%, of which the net profit attributable to the shareholders amounted to RMB2.09 billion, up by 42.3% year-on-year. On a corporate basis, for H1 2019, the Company achieved operating revenue of RMB43.78 billion, up by 22.5%[1] year-on-year; and a net profit of RMB2.74 billion, representing a year-on-year growth of 60.9%, of which the net profit

[1] In April 2019, the Company completed the handover of major assets in a restructuring. Therefore, the operating revenue data of H1 2019 and H1 2018 are not comparable as the former only includes the January-March 2019 operating revenue generated by the said assets, while the latter comprises the January-June 2018 such revenue. Upon the recalculation of the H1 2018 operating revenue on the same January-March basis as H1 2019, the H1 2019 operating revenue would be up by 22.5% year-on-year.

attributable to the shareholders amounted to RMB2.09 billion, up by 31.9% year-on-year. The recognition of RMB1.15 billion net gains on asset disposal during the Reporting Period contributed to the overall profit growth of the Group.

Operating performance has improved during the Reporting Period through streamlining the organizational structure and redesigning business flows according to the operational philosophy of maximizing cost efficiency. Upon lean management and cost control efforts, the per-capita net profit has increased from RMB18,800 to RMB66,600, and the pro forma expense ratio has decreased from 14.5% to 11.8%. **The capital structure and operating efficiency have been further optimized.** The debt/asset ratio has dropped from 68.4% to 60.4%, inventory turnover days have been reduced by three days compared to H1 2018, and the net cash generated from operating activities amounted to RMB6.15 billion, suggesting much greater sustainability of the company.

With product and technological innovation as important impetus, CSOT has enhanced its technological and industrial abilities, and is able to maintain better-than-the-industry-average efficiency and profitability. During H1 2019, TCL spent a total of RMB2.67 billion on R&D and filed for 1,056 PCT patents, which has helped maintain a leading position in the new display technology and materials industry. The capacity of the t3 plant has risen from 45K to 50K per month, the t6 and t4 plants have successfully expanded capacity, and the t7 plant is being built on track. CSOT has a better product mix. The 55-inch TV panels produced by CSOT has the largest market share worldwide, and the market share of its LTPS handset panels has moved up to the world's second largest. Revenue by small- and medium-sized display panels has increased to 43% of CSOT's total revenue. By way of maximizing cost efficiency, CSOT achieved a net profit of RMB1.02 billion, maintaining leading profitability amid an industry trough.

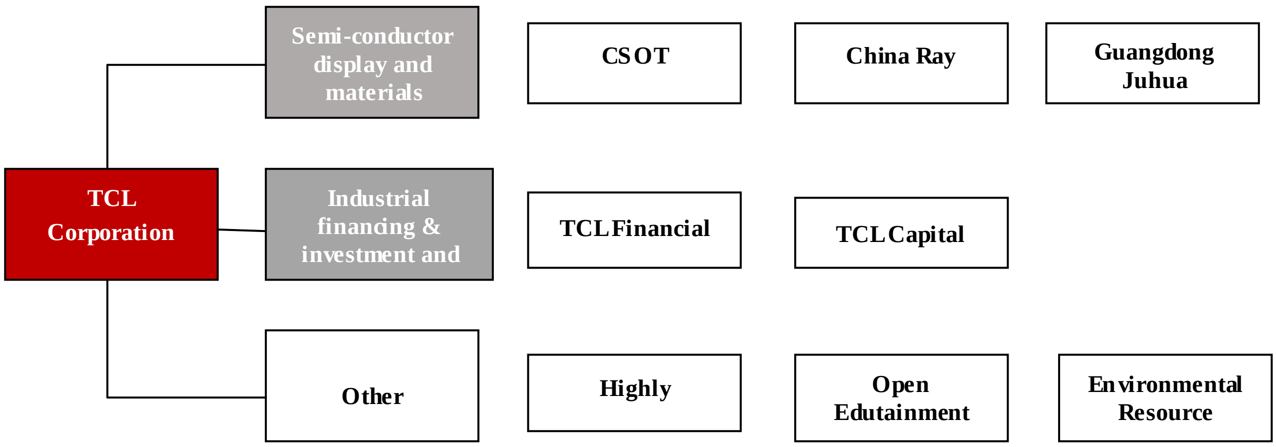
The industrial financing and investment businesses of TCL maintain a good development momentum, continuing to contribute strategic synergy and earnings to TCL. These businesses not only provide capital management and allocation services, help reduce financing costs and contribute steady earnings to TCL, but also help complete the industrial chain and get a foothold in cutting-edge technologies through incubation, investment, etc.

Looking forward into the rest of the year and the future, global economic growth is expected to become increasingly uncertain. But in the meantime, we should see that 5G, AI and other new commercial infrastructure are improving, boosting market demand for new products and technologies such as Mini-LED, foldable display and printing OLED; that new demand keeps growing for display products for use in interactive whiteboards, e-sports, vehicles, etc.; and that demand for traditional display products maintains steady growth thanks to the increasing popularity of large-sized and UHD display. Meanwhile, the global semi-conductor display industry will become more concentrated as the development focus gradually shifts to China.

We believe in the co-existence of challenges and opportunities. We are confident that we will grow against the unfavorable environment and become a leader in the global industry by way of completing the industrial chain, enhancing technological and scale advantages, increasing competitiveness, sticking to our operating strategy, maximizing cost efficiency for survival and promoting change, innovation and exploration for growth.

(II) Core Business Analysis

TCL's core businesses have been changed to comprise the semi-conductor display and materials business, the industrial financing and investment business and the other businesses:



Pursuant to its development strategy of becoming a world-leading high-tech conglomerate, TCL will concentrate on its core businesses and gradually shake off the other businesses according to the principle of the maximum value for shareholders. Meanwhile, in accordance with the whole new positioning of a high-tech conglomerate, TCL will enter into the relevant basic and high-tech strategic emerging industries at the proper time by M&A, etc., as well as integrate resources through the industrial chain, so as to foster new driving forces.

1. The Semi-Conductor Display and Materials Business

In H1 2019, CSOT recorded a shipment of 9.61 million square metres, up by 9.80% year-on-year; operating revenue of RMB16.28 billion, up by 33.5% year-on-year; and a net profit of RMB1.02 billion.

The t1 and t2 plants of CSOT in Shenzhen operated at full capacity for strong sales, and the capacity of the t6 plant rose quickly. The t6 plant achieved a shipment of 8.9417 million square metres of large-sized panels (equivalent to 9.45 million pieces), up by 3.9% year-on-year; and sales revenue of

RMB9.19 billion, down by 15.1% year-on-year, primarily caused by much lower product prices than the same period of last year.

With its capacity rising from a designed 45K to 50K per month, the t3 plant of CSOT in Wuhan is the largest LTPS plant in the world. The t3 plant reported in H1 2019 a shipment of 668 thousand square metres of small- and medium-sized panels, up by 4.58 times year-on-year, equivalent to 57.79 million pieces, up by over three times year-on-year; and sales revenue of RMB7.09 billion, up by over four times year-on-year.

The t4 flexible AM-OLED plant of CSOT Wuhan saw a faster-than-expected ramp-up of its capacity and yield rate in H1 2019, and is expected to realize the phase-1 mass production in the fourth quarter of the year.

	2016	2017	2018	H1 2019
Shipment (in thousands of square metres)	13,421	16,535	18,032	9,610
Revenue (in billions of RMB)	22.34	30.57	27.67	16.28
Gross profit margin (%)	12.7	27.9	18.4	14.6
Net profit margin (%)	10.3	16.2	8.4	6.3
EBITDA (%)	27.7	37.2	30.0	28.6

Note: For further data of CSOT, please refer to the segment report in Part XI Financial Statements of the full version of this interim report.

Thanks to efficient production line investment strategies, synergy from the industrial chain and excellent management, CSOT is now able to maintain leading operating efficiency and results in the global industry during all the stages of the industry cycle. Since its operation, CSOT has been able to maintain outstanding net profit and EBITDA margins in the past cyclical swings of the industry, indicating significantly better-than-the-industry-average resilience. As the depreciation of the production lines that CSOT invested in at an early time gradually ends in the coming few years (a decrease of RMB1.1 billion in depreciation expenses of the t1 plant in 2019), its profitability will further improve.

As CSOT’s new capacity is unleashed faster, its product and market structures will be further refined. With the gradual operation of its production lines, in the next five years, CSOT’s large-sized panel output (in area) will reach a compound growth rate of 17%; as for the small- and medium-sized panels, the compound growth rate is expected to reach an industry-leading level of 26%, with the market share of LTPS-LCD already being the world’s second largest and the market competitiveness of flexible AMOLED increasing in a fast speed. Along with the scale-up, CSOT will quickly expand to fast-growing emerging markets of display products for commercial use, use in vehicles and e-sports, etc. to achieve more balanced market distribution for its products.

CSOT drives business growth and enhances competitiveness through product and technological innovation. In terms of large-sized panels, CSOT makes good use of the HVA technology in its high-end products and is the largest supplier for China's top six TV makers for five consecutive years as well as a high-end supplier for Samsung and Sony; and vigorously works on high-end 4K/8K products and the Mini-LED on TFT technology and products to further enlarge its share in the high-end market.

As for small- and medium-sized panels, CSOT's LTPS technology in relation to the COF narrow frame and under-screen fingerprint recognition has reached internationally advanced R&D capability and yield rate, accounting for over 80% of the supply to the world's top six handset makers; and flexible AMOLED developed by CSOT for handsets with an under-screen camera and foldable handsets will soon begin mass production.

Efforts are stepped up to work on new display technologies and materials to establish leading advantages relating to the next-generation display technology. TCL constantly focuses on the development of printed display manufacturing processes and materials. Guangdong Juhua led by CSOT is a flexible printed display R&D platform, which is recognized as the only "National Printed and Flexible Display Innovation Centre" in China. During the Reporting Period, Guangdong Juhua worked with the upstream material and equipment suppliers to establish an open eco-system for the R&D of the new display technology and production processes, which has further improved the efficiency of equipment and the functions of devices, as well as accelerated the industrialization of the production process route of printed display. Guangdong Juhua and JOLED in Japan are now the two front runners worldwide in terms of the development and application of printed O-LED.

China Ray develops new OLED key materials with independent IP. Based on the different functional layers of the entire OLED structure, it focuses on the development of EML materials.The evaporated red-light and green-light emitting materials, as well as the solution-processed red-light emitting materials produced by China Ray are all of an industry-wide advanced performance. China Ray's red-light and green-light emitting materials for evaporated OLED have started mass production. And the QLED R&D team has solved the key problems such as the useful life of the red-light and green-light emitting materials, with the second most patents in relation to quantum-dot electroluminescent display in the world.

The semi-conductor display industry is driven by technology and investment. The development of new display materials provides a basis for the transition and upgrade of the relevant products and technologies. In addition to continual investment in basic new materials, technologies and production processes, CSOT will enhance its technological and industrial eco-system through technological cooperation and investment in interests of relevant companies, so as to stay ahead with respect to new technology and technological transition and innovation.

A diverse customer base and internationalization provide important impetus for the sustainable business growth of CSOT. Sales that are not related to TCL’s terminal systems account for over 50% of CSOT’s total sales, with the relevant customers being the top companies in their respective industries. The construction of the module and whole-widget integrated intelligent manufacturing park in India under the cooperation of CSOT and TCL Electronics is progressing smoothly. This project is expected to produce 8 million pieces of large-sized modules and 30 million pieces of small- and medium-sized modules annually, with the mass production expectedly starting in the first half of 2020. As the international trade disputes escalate, globalization will become a differentiated competitive edge of CSOT.

CSOT has built up leading advantages in efficiency and profitability in the global industry. The efficient business structure, innovative products and technologies and a strong customer base will help CSOT grasp M&A opportunities in the global industry and achieve continual growth in scale and earnings.

2. The Industrial financing and Investment Business

(1) TCL Financial

TCL Financial mainly comprises the Group’s finance and the supply chain finance. The finance business primarily involves providing financial and management support to the major businesses and subsidiaries within the Group, and undertaking the functions of efficiency improvement and risk management of Group assets. Over the years, TCL’s credit rating has been maintained at AAA; its asset scale, gross profit, ROE and capital concentration are all of a leading level in the industry; and its overall financing cost is lower than the industry average.

Upholding the service philosophy of “partner finance”, the supply chain finance business continues to work on TCL’s industrial eco-system in a deeper manner by way of its online supply chain finance platform. This business provides member and related enterprises with various financing and supply chain financial services, helping them cut down financing costs and increase resource efficiency. By doing so, this business is able to generate stable and increasing income.

(2) TCL Capital

TCL Capital includes TCL Venture Capital, Admiralty Harbour Capital Limited and China

Innovative Capital Management Limited (49% owned by the Company). TCL Venture Capital operates various funds with a focus on new technologies, materials and applications associated with TCL's core businesses. Up to the end of the Reporting Period, the venture capital business manages funds of RMB9.37 billion in total, and has accumulatively invested in 112 projects. Currently, it owns shareholdings in listed companies such as CATL, S.C., Dynanonic, etc., in addition to interests in Cambricon, DK Electronic Materials, Transwarp and so on. Many projects invested by TCL Venture Capital have established technological and business cooperation with TCL's businesses, and certain projects from which TCL Venture capital has withdrawn its investment have also provided satisfying returns.

As a licensed financial enterprise in Hong Kong with investment banking and asset management qualifications, Harbour Capital started operation early this year. As an overseas financial platform, Harbour Capital completed three debenture issue and underwriting projects, and started to generate income in its financial advising and asset management operations during the Reporting Period. It also provides capital support and financial services for TCL's overseas business expansion and M&A activities. As a licensed Hong Kong financial institution with a Mainland China background, Harbour Capital enjoys promising prospects.

China Innovative Capital Management Limited is a leading institutional investor in equity investments and M&A in relation to listed companies. With years of experience, China Innovative Capital Management Limited has invested in over 100 listed companies and established strong credibility. It operated well during the Reporting Period, generating steadily increasing income. It also provides professional support for TCL's domestic M&A activities and business expansion.

Focusing on the semi-conductor display and artificial intelligence industries, TCL Capital actively invested through the industrial chains; and in the meantime explored investment opportunities in regard with other high-end, basic, key technologies, so as to promote technological and business synergy, create a fresh impetus for TCL's growth and generate returns on its investments.

Meanwhile, the Group directly invests in a number of listed companies, including a 19.07% interest in 712 Corp. (603712.SH), a 4.99% interest in Bank of Shanghai (601229.SH) and a 20.08% interest in Fantasia Holdings (01777.HK). These shareholding percentages remained the same during the Reporting Period.

The industrial financial and investment business has seen steady growth in operating performance in recent years thanks to strict risk control and healthy business expansion. For the Reporting Period, this business recorded income of RMB368 million, up by 76.0% year-on-year. The steadily growing profit of this business can help the Company offset the cyclical volatility in the semi-conductor display industry.

During the Reporting Period, the other businesses of the Group grew steadily, making positive contributions to the improvement of the Group's overall operating performance.

(III) Matters Related to Financial Reporting

1. Changes to Accounting Policies, Accounting Estimates or Measurement Methods Compared to the Last Accounting Period

(1) Changes to the Accounting Policies

The Company has adopted since 1 January 2019 the revised versions of certain accounting standards (revised by the Ministry of Finance in 2017), namely, the Accounting Standard No. 22 for Business Enterprises—Recognition and Measurement of Financial Instruments, the Accounting Standard No. 23 for Business Enterprises—Transfer of Financial Assets, the Accounting Standard No. 24 for Business Enterprises—Hedge Accounting, and the Accounting Standard No. 37 for Business Enterprises—Presentation of Financial Instruments (together, the "New Accounting Standards for Financial Instruments"). For details of the changed accounting policies, please refer to note IV to the financial statements in the full version of this interim report.

Effects of the adoption of the New Accounting Standards for Financial Instruments on the Company:

For the financial instruments recognized and measured before 1 January 2019 in a way that is inconsistent with the New Accounting Standards for Financial Instruments, the Company makes transitional adjustments according to the new standards. And the Company does not restate the comparable financial data of the previous period that is inconsistent with the New Accounting Standards for Financial Instruments. The difference between the original carrying amount of a financial instrument and the new carrying amount on the date of the adoption of the New Accounting Standards for Financial Instruments is recorded in the retained earnings or other comprehensive income as at 1 January 2019.

The effects of the adoption of the New Accounting Standards for Financial Instruments on the presentation of the balance sheet items as at 1 January 2019 are as follows (unit: RMB'000):

Item	Carrying amount as per the old accounting standards for financial instruments	Change	Carrying amount as per the New Accounting Standards for Financial Instruments
Trading financial assets	-	2,632,626	2,632,626

Financial assets at fair value through profit or loss	1,137,580	(1,137,580)	-
Derivative financial assets	-	197,798	197,798
Notes and accounts receivable	17,923,667	(17,923,667)	-
Notes receivable	-	4,272,222	4,272,222
Accounts receivable	-	13,600,479	13,600,479
Other receivables	5,719,379	(3,196)	5,716,183
Available-for-sale financial assets	4,270,845	(4,270,845)	-
Long-term equity investments	16,957,109	160,827	17,117,936
Investments in other equity instruments	-	1,618,075	1,618,075
Other non-current financial assets	-	1,034,117	1,034,117
Trading financial liabilities	-	143,457	143,457
Financial liabilities at fair value through profit or loss	212,097	(212,097)	-
Derivative financial liabilities	-	68,640	68,640
Deferred income tax liabilities	440,352	820	441,172
Other comprehensive income	(1,174,162)	334,950	(839,212)
Retained earnings	10,000,973	(106,833)	9,894,140
Total equity attributable to owners of the Company as the parent	30,494,365	228,117	30,722,482
Non-controlling interests	30,377,308	(994)	30,376,314

(2) Critical Accounting Policies and Estimates

Carrying amount adjustments of financial assets classified and measured as per the New Accounting Standards for Financial Instruments (unit: RMB'000):

Item	Carrying amount as per the old accounting standards for financial instruments (31 December 2018)	Reclassification (exclusive of change incurred by measurement)	Change incurred by measurement	Carrying amount as per the New Accounting Standards for Financial Instruments (1 January 2019)
Trading financial assets	-	2,572,150	60,476	2,632,626
Of which: Financial assets at fair value through profit or loss reclassified to trading financial assets	-	230,844	-	
Of which: Available-for-sale financial assets reclassified to trading financial assets	-	2,341,306	60,476	
Financial assets at fair value through profit or loss	1,137,580	(1,137,580)	-	-

Of which: Financial assets at fair value through profit or loss reclassified to trading financial assets	-	(230,844)	-	
Of which: Financial assets at fair value through profit or loss reclassified to derivative financial assets	-	(197,798)	-	
Of which: Financial assets at fair value through profit or loss reclassified to other non-current financial assets	-	(708,938)	-	
Derivative financial assets	-	197,798	-	197,798
Of which: Financial assets at fair value through profit or loss reclassified to derivative financial assets	-	197,798	-	
Notes receivable	-	4,272,222	-	4,272,222
Accounts receivable	-	13,604,358	(3,879)	13,600,479
Other receivables	5,719,379	-	(3,196)	5,716,183
Available-for-sale financial assets	4,270,845	(4,270,845)	-	-
Of which: Available-for-sale financial assets reclassified to trading financial assets	-	(2,341,306)	-	
Of which: Available-for-sale financial assets reclassified to investments in other equity instruments	-	(1,604,360)	-	
Of which: Available-for-sale financial assets reclassified to other non-current financial assets	-	(325,179)	-	
Long-term equity investments	16,957,109	-	160,827	17,117,936
Investments in other equity instruments	-	1,604,360	13,715	1,618,075
Of which: Available-for-sale financial assets reclassified to investments in other equity instruments	-	1,604,360	13,715	-

Carrying amount adjustments of financial assets classified and measured as per the New Accounting Standards for Financial Instruments (unit: RMB’000):

Item	Carrying amount as per the old accounting standards for financial instruments (31 December 2018)	Reclassification (exclusive of change incurred by measurement)	Change incurred by measurement	Carrying amount as per the New Accounting Standards for Financial Instruments (1 January 2019)
Other non-current financial assets	-	1,034,117	-	1,034,117

Of which: Financial assets at fair value through profit or loss reclassified to other non-current financial assets	-	708,938	-	
Of which: Available-for-sale financial assets reclassified to other non-current financial assets	-	325,179	-	
Trading financial liabilities	-	143,457	-	143,457
Of which: Financial liabilities at fair value through profit or loss reclassified to trading financial liabilities	-	143,457	-	
Financial liabilities at fair value through profit or loss	212,097	(212,097)	-	-
Of which: Financial liabilities at fair value through profit or loss reclassified to trading financial liabilities	-	(143,457)	-	
Of which: Financial liabilities at fair value through profit or loss reclassified to derivative financial liabilities	-	(68,640)	-	
Derivative financial liabilities	-	68,640	-	68,640
Of which: Financial liabilities at fair value through profit or loss reclassified to derivative financial liabilities	-	68,640	-	

The effects of the reclassification or measurement of financial assets as per the New Accounting Standards for Financial Instruments on the beginning retained earnings, other comprehensive income, deferred income tax liabilities, equity attributable to owners of the Company as the parent and non-controlling interests (unit: RMB'000):

Item	Carrying amount as per the old accounting standards for financial instruments (31 December 2018)	Effect of the accounting standard revisions	Carrying amount as per the New Accounting Standards for Financial Instruments (1 January 2019)
Deferred income tax liabilities	440,352	820	441,172
Other comprehensive income	(1,174,162)	334,950	(839,212)
Retained earnings	10,000,973	(106,833)	9,894,140
Total equity attributable to owners of the Company as the parent	30,494,365	228,117	30,722,482
Non-controlling interests	30,377,308	(994)	30,376,314

2. Retrospective Restatements due to the Correction of Material Accounting Errors in the Reporting Period

No such cases.

3. Changes to the Scope of Consolidated Financial Statements Compared to the Last Accounting Period

Compared with 2018, 14 subsidiaries (all newly incorporated) are newly included in and 298 subsidiaries (285 transferred, 6 de-registered and the other 7 due to the shift from a subsidiary to an associate) are excluded from the consolidation scope of H1 2019.