TCL MULTIMEDIA TECHNOLOGY HOLDINGS LIMITED
TCL 多媒體科技控股有限公司

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

RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL HIGHLIGHTS

Results for the year ended 31 December

	2016 **(HK$M)**	2015 *(HK$M)*	**Change**
Turnover	**33,361**	34,017	(1.9%)
Gross profit	**5,816**	5,753	1.1%
Operating profit	**296**	285	3.9%
Net profit after tax	**177**	10	1,643.4%
Profit attributable to owners of the parent	**183**	26	608.1%
Basic earnings per share *(HK cents)*	**11.78**	1.94	507.2%

BUSINESS HIGHLIGHTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2016

- The Group sold 19.96 million sets of liquid-crystal-display ("LCD") TVs, up by 15.1% year-on-year. Sales volume of LCD TVs in the PRC market increased by 1.8% year-on-year to 9.41 million sets, while sales volume of LCD TVs in the overseas markets grew by 30.2% year-on-year to 10.54 million sets.

- The Group achieved a turnover of HK$33.36 billion, dropped by 1.9% year-on-year. Gross profit increased by 1.1% when compared with the same period of last year to HK$5.82 billion, and gross profit margin rose from 16.9% of the same period of last year to 17.4%. Operating profit was HK$300 million, and net profit after tax was HK$180 million. Profit attributable to owners of the parent amounted to HK$180 million. Basic earnings per share was HK11.8 cents.

- With continued product mix enhancements, the proportion of high-end products (such as quantum dot, curved, 4K and large screen TVs, etc.) has been steadily increasing. Sales volume of smart TVs of the Group in the PRC market (excluding ODM business) increased by 10.1% year-on-year to 5.15 million sets, which accounted for 66.1% of the Group's LCD TV sales volume in the PRC market. Sales volume of 4K TVs in the PRC market (excluding ODM business) amounted to 2.83 million sets, which accounted for 36.3% of the Group's LCD TV sales volume in the PRC market. Market share of curved TVs in the PRC market (excluding ODM business) was 30.4%, maintaining No.1 position among the domestic brands in the market (Source: China Market Monitor Co., Ltd. ("CMM")).

- The accumulated number of TCL activated smart TV users of the Group totalled 17,289,434, and the daily average number of active users in December 2016 was 7,473,240 (Source: Huan Technology Co., Ltd. ("Huan")).

- The Group ranked No. 3 in the global LCD TV market with a market share of 9.0% in 2016 according to the latest IHS Technology figures and the Company's shipment data, and ranked No. 3 in the PRC LCD TV market with a market share of 14.2% in 2016 according to CMM's report.

The board of directors (the "Board") of TCL Multimedia Technology Holdings Limited (the "Company") is pleased to announce the consolidated results and financial position of the Company and its subsidiaries (collectively, the "Group") for the year ended and for the three months ended 31 December 2016 with comparative figures for the previous periods as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Twelve months ended 31 December		Three months ended 31 December	
		2016	2015	**2016**	2015
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
TURNOVER	3	**33,361,250**	34,016,833	**9,686,370**	9,572,776
Cost of sales		**(27,545,525)**	(28,263,811)	**(7,919,955)**	(7,549,360)
Gross profit		**5,815,725**	5,753,022	**1,766,415**	2,023,416
Other revenue and gains		**356,209**	545,845	**96,351**	273,913
Selling and distribution expenses		**(3,929,459)**	(4,032,140)	**(1,087,289)**	(1,298,350)
Administrative expenses		**(1,133,253)**	(1,360,303)	**(322,319)**	(371,686)
Research and development costs		**(638,162)**	(551,627)	**(249,233)**	(110,115)
Other operating expenses		**(175,299)**	(70,132)	**(156,561)**	(64,955)
		295,761	284,665	**47,364**	452,223
Finance costs	4	**(93,102)**	(185,692)	**(31,304)**	(75,233)
Share of profits and losses of:					
Joint ventures		**(36,147)**	(44,336)	**(5,683)**	(12,201)
Associates		**34,694**	(17,458)	**25,076**	(12,291)
PROFIT BEFORE TAX	5	**201,206**	37,179	**35,453**	352,498
Income tax	6	**(24,428)**	(27,039)	**4,337**	(23,308)
PROFIT FOR THE YEAR/PERIOD		**176,778**	10,140	**39,790**	329,190

	Notes	Twelve months ended 31 December 2016 HK$'000	Twelve months ended 31 December 2015 HK$'000	Three months ended 31 December 2016 HK$'000	Three months ended 31 December 2015 HK$'000
OTHER COMPREHENSIVE INCOME/(LOSS)					
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:					
Cash flow hedge:					
Effective portion of changes in fair value of the hedging instruments arising during the year/period		**23,062**	5,299	**25,426**	(13,296)
Reclassification adjustments for losses/(gains) included in the consolidated statement of profit or loss		**(4,605)**	185	**694**	–
		18,457	5,484	**26,120**	(13,296)
Exchange differences:					
Translation of foreign operations		**(335,552)**	(294,622)	**(190,067)**	(112,225)
Reclassification adjustments for foreign operations disposed of or liquidated during the year/period		**9,321**	(2,376)	**–**	(1,354)
Reclassification adjustments for deemed partial disposal or liquidation of associates during the year/period		**(1,407)**	3	**1**	–
		(327,638)	(296,995)	**(190,066)**	(113,579)

	Notes	Twelve months ended 31 December **2016** ***HK$'000***	Twelve months ended 31 December 2015 *HK$'000*	Three months ended 31 December **2016** ***HK$'000***	Three months ended 31 December 2015 *HK$'000*
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods		**(309,181)**	(291,511)	**(163,946)**	(126,875)
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:					
Share of other comprehensive loss of an associate		**(6,168)**	–	**(6,168)**	–
OTHER COMPREHENSIVE LOSS FOR THE YEAR/PERIOD		**(315,349)**	(291,511)	**(170,114)**	(126,875)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD		**(138,571)**	(281,371)	**(130,324)**	202,315
Profit/(loss) attributable to:					
Owners of the parent		**182,764**	25,811	**35,875**	327,749
Non-controlling interests		**(5,986)**	(15,671)	**3,915**	1,441
		176,778	10,140	**39,790**	329,190
Total comprehensive income/(loss) attributable to:					
Owners of the parent		**(125,842)**	(258,354)	**(130,340)**	203,378
Non-controlling interests		**(12,729)**	(23,017)	**16**	(1,063)
		(138,571)	(281,371)	**(130,324)**	202,315
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8				
Basic		**HK11.78 cents**	HK1.94 cents		
Diluted		**HK11.35 cents**	HK1.90 cents		

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**31 December 2016** *HK$'000*	31 December 2015 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**1,819,152**	2,062,753
Prepaid land lease payments		**121,212**	131,849
Goodwill		**134,933**	134,933
Other intangible assets		**1,094**	1,428
Investments in joint ventures		**36,651**	46,118
Investments in associates		**597,618**	470,696
Available-for-sale investments		**100,126**	106,891
Deferred tax assets		**34,729**	25,840
Total non-current assets		**2,845,515**	2,980,508
CURRENT ASSETS			
Inventories		**4,349,253**	3,282,921
Trade receivables	9	**5,100,561**	5,537,759
Bills receivable		**2,839,571**	2,721,173
Other receivables		**1,270,859**	1,351,429
Tax recoverable		**21,270**	8,593
Pledged deposits		**–**	80,881
Cash and bank balances		**3,882,361**	2,214,927
Total current assets		**17,463,875**	15,197,683
CURRENT LIABILITIES			
Trade payables	10	**7,373,298**	5,540,820
Bills payable		**1,002,284**	1,656,855
Other payables and accruals		**3,609,638**	3,503,917
Interest-bearing bank and other borrowings	11	**1,353,943**	1,460,437
Due to T.C.L. Industries	12	**–**	7,751
Tax payable		**61,696**	129,471
Provisions		**331,800**	305,381
Total current liabilities		**13,732,659**	12,604,632
NET CURRENT ASSETS		**3,731,216**	2,593,051
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,576,731**	5,573,559

	Notes	**31 December 2016** **HK$'000**	31 December 2015 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,576,731**	5,573,559
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	11	**1,700**	5,071
Due to T.C.L. Industries	12	**–**	1,131,617
Deferred tax liabilities		**18,686**	28,141
Total non-current liabilities		**20,386**	1,164,829
Net assets		**6,556,345**	4,408,730
EQUITY			
Equity attributable to owners of the parent			
Issued capital	13	**1,736,446**	1,386,361
Reserves		**4,715,999**	2,910,225
		6,452,445	4,296,586
Non-controlling interests		**103,900**	112,144
Total equity		**6,556,345**	4,408,730

Notes:

1. **BASIS OF PREPARATION**

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2016. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to the transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has assessed and adopted, to the extent that is relevant to the Group, the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012 – 2014 Cycle	Amendments to a number of HKFRSs

Except for the amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011), amendments to HKFRS 11, HKFRS 14, amendments to HKAS 16 and HKAS 41, amendments to HKAS 27 (2011), and certain amendments included in the *Annual Improvements 2012-2014 Cycle*, which are not relevant to the preparation of the Group's financial statements. The nature and the impact of the amendments are described below:

(a) Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in HKAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments have had no significant impact on the Group's financial statements.

(b) Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

(c) *Annual Improvements to HKFRSs 2012-2014 Cycle* issued in October 2014 sets out amendments to a number of HKFRSs. Details of the amendments are as follows:

- HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*: Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in HKFRS 5. The amendments also clarify that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendments are applied prospectively. The amendments have had no impact on the Group as the Group did not have any disposal group held for sale during the year.

3. OPERATING SEGMENT INFORMATION

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

(a) Television segment – manufacture and sale of television sets in:

– the People's Republic of China ("PRC") market

– the overseas markets; and

(b) Others segment – comprises information technology, internet service and other businesses, including manufacture and sale of television related components, sale of white goods, mobile phones and air conditioners.

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

	Television – PRC market		Television – Overseas markets		Others		Total		Eliminations		Consolidated	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:												
Sales to external customers	**19,172,524**	21,838,894	**13,920,796**	12,015,454	**267,930**	162,485	**33,361,250**	34,016,833	**–**	–	**33,361,250**	34,016,833
Intersegment sales	**578,060**	1,166,334	**219,744**	–	**57,188**	31,825	**854,992**	1,198,159	**(854,992)**	(1,198,159)	**–**	–
Total	**19,750,584**	23,005,228	**14,140,540**	12,015,454	**325,118**	194,310	**34,216,242**	35,214,992	**(854,992)**	(1,198,159)	**33,361,250**	34,016,833
Segment results	**218,621**	898,965	**393,230**	(80,092)	**25,663**	(56,813)	**637,514**	762,060	**–**	–	**637,514**	762,060
Corporate expenses, net							**(359,598)**	(526,419)			**(359,598)**	(526,419)
Finance costs							**(93,102)**	(185,692)			**(93,102)**	(185,692)
Interest income							**17,845**	49,024			**17,845**	49,024
Share of profits and losses of:												
Joint ventures	**–**	–	**8,042**	(1,869)	**(44,189)**	(42,467)	**(36,147)**	(44,336)			**(36,147)**	(44,336)
Associates	**2,844**	(38,549)	**14,775**	–	**17,075**	21,091	**34,694**	(17,458)			**34,694**	(17,458)
Profit before tax							**201,206**	37,179			**201,206**	37,179
Income tax							**(24,428)**	(27,039)			**(24,428)**	(27,039)
Profit for the year							**176,778**	10,140			**176,778**	10,140

4. FINANCE COSTS

	2016	2015
	HK$'000	*HK$'000*
Interest on:		
Bank and other loans	**65,842**	176,240
Loans from T.C.L. Industries	**25,424**	6,334
Loans from an associate	**851**	2,244
Finance leases	**985**	874
Total	**93,102**	185,692

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2016	2015
	HK$'000	*HK$'000*
Cost of inventories sold	**27,468,281**	28,178,825
Depreciation	**236,297**	250,878
Research and development costs	**638,395**	588,574
Less: Government grants released*	**(233)**	(36,947)
	638,162	551,627
Amortisation of other intangible assets	**223**	373
Amortisation of prepaid land lease payments	**3,507**	4,168
Minimum lease payments under operating leases in respect of land and buildings	**107,448**	98,150
Employee benefits expenses (including directors' remuneration):		
Wages and salaries	**2,076,444**	2,141,264
Equity-settled share option expense	**106,580**	53,788
Employee share-based compensation benefits under the Award Scheme	**51,481**	42,480
Defined contribution expense	**241,669**	244,946
	2,476,174	2,482,478
Foreign exchange differences, net	**(44,688)**	280,237
Impairment of items of property, plant and equipment	**–**	1**
Impairment/(reversal of impairment) of trade receivables, net	**(8,384)**	66,358**
Impairment of other receivables	**170,099****	–
Write-down of inventories to net realisable value	**2,390**	63,248
Fair value losses/(gains) on derivative financial instruments, net – transactions not qualifying as hedges	**(571)**	2,404
Realised gain on settlement of derivative financial instruments	**(17,063)**	(37,452)
Rental income, net	**(11,741)**	(15,555)
Interest income	**(17,845)**	(49,024)
Other government grants***	**(30,901)**	(52,929)
Loss/(gain) on disposal of items of property, plant and equipment, net	**(2,032)**	2,336**
Gain on disposal of subsidiaries	**(839)**	(123,159)
Loss/(gain) on liquidation of subsidiaries	**4,952****	(1,140)
Gain on liquidation of an associate	**(1,083)**	–
Restructuring cost provision, net	**248****	1,437**
Product warranty provision, net	**179,959**	113,358

Notes:

* Certain government grants have been received for research activities in the PRC. The government grants released have been deducted from the research and development costs to which they are related. There are no unfulfilled conditions or contingencies relating to these grants.

** These items are included in "Other operating expenses" on the face of the consolidated statement of profit or loss and other comprehensive income.

*** Other government grants have been received for the enhancement of technologies applied in certain of the Group's production lines in the PRC. There are no unfulfilled conditions or contingencies relating to these grants.

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	2016	2015
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**1,713**	–
Underprovision in prior years	**106**	24
Current – Elsewhere		
Charge for the year	**75,892**	63,425
Overprovision in prior years	**(33,969)**	(40,592)
Deferred	**(19,314)**	4,182
Total tax charge for the year	**24,428**	27,039

7. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the year (2015: Nil).

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

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

	2016	2015
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	**182,764**	25,811

	Number of shares	
	2016	2015
Shares		
Weighted average number of ordinary shares in issue less shares held for Award Scheme during the year used in the basic earnings per share calculation	**1,551,157,083**	1,327,860,621
Effect of dilution – weighted average number of ordinary shares:		
Share options	**23,207,182**	10,830,592
Awarded shares	**35,464,282**	18,502,992
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	**1,609,828,547**	1,357,194,205

9. TRADE RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Due from third parties	**3,816,599**	3,950,768
Provision for impairment	**(199,925)**	(225,855)
	3,616,674	3,724,913
Due from related parties:		
Companies controlled by TCL Corporation	**883,139**	1,672,525
Associates of TCL Corporation	**80,739**	85,841
Joint ventures	**71,930**	54,480
An associate	**75,591**	–
A substantial shareholder	**372,488**	–
	1,483,887	1,812,846
	5,100,561	5,537,759

The majority of the Group's sales in the PRC are conducted on a 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 tenure 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.

Save for those amounts due from related parties, 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 collaterals or other credit enhancements over its trade receivables. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2016	2015
	HK$'000	*HK$'000*
Current to 90 days	**4,081,419**	3,993,987
91 to 180 days	**595,245**	536,398
181 to 365 days	**162,186**	829,629
Over 365 days	**261,711**	177,745
	5,100,561	5,537,759

At 31 December 2016, the Group has entered into certain receivables purchase agreements with a financial institution for the factoring of trade receivables due from a customer with an aggregate carrying amount of HK$167,051,000. None of the related receivables factored to the financial institution were derecognised from the consolidated statement of financial position because in the opinion of the directors, the Group has not transferred substantially all the risks and rewards of ownership in respect of the related factored trade receivables to the financial institution. Accordingly, the advances from the financial institution of HK$167,051,000 received by the Group as consideration for the factored trade receivables at 31 December 2016 were recognised as other loans and included in "Interest-bearing bank and other borrowings" (note 11).

10. TRADE PAYABLES

	2016	2015
	HK$'000	*HK$'000*
Due to third parties	**4,754,718**	3,752,315
Due to related parties:		
Companies controlled by TCL Corporation	**2,308,412**	1,637,355
Associates of TCL Corporation	**293,910**	151,150
An associate	**16,258**	–
	2,618,580	1,788,505
	7,373,298	5,540,820

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

	2016	2015
	HK$'000	*HK$'000*
Current to 90 days	**6,974,452**	5,308,227
91 to 180 days	**199,366**	89,545
181 to 365 days	**44,094**	52,823
Over 365 days	**155,386**	90,225
	7,373,298	5,540,820

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

11. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2016	2015
	HK$'000	*HK$'000*
Current		
Bank loans – unsecured	**850,549**	1,330,950
Trust receipt loans – unsecured	**332,551**	125,438
Other loans	**167,051**	–
Finance lease payables	**3,792**	4,049
	1,353,943	1,460,437
Non-current		
Finance lease payables	**1,700**	5,071
	1,355,643	1,465,508
Analysed into:		
Bank and other loans repayable:		
Within one year or on demand	**1,350,151**	1,456,388
Finance lease repayable:		
Within one year	**3,792**	4,049
In the second year	**1,700**	3,502
In the third year	**–**	1,569
	5,492	9,120
	1,355,643	1,465,508

Notes:

(a) As at 31 December 2016 and 2015, the carrying amounts of the Group's bank and other borrowings approximated to their fair values.

(b) TCL Corporation ("TCL Corporation", the ultimate holding company of the Company) has guaranteed certain of the Group's bank loans up to HK$100,626,000 (2015: HK$720,850,000) as at the end of the reporting period.

12. DUE TO T.C.L. INDUSTRIES

T.C.L. Industries Holdings (H.K.) Limited ("T.C.L. Industries") is the immediate holding company of the Company. As at 31 December 2015, the aggregate amounts due to T.C.L. Industries of HK$1,139,368,000 were unsecured, bore interest at fixed rates of 0.8441% and 1.9564%, and LIBOR+1.8% per annum, and of which, an amount of HK$7,751,000 was repayable within one year while the remaining amount of HK$1,131,617,000 was repayable in the second year.

13. SHARE CAPITAL

	2016	2015
	HK$'000	*HK$'000*
Authorised:		
2,200,000,000 shares of HK$1.00 each	**2,200,000**	2,200,000
Issued and fully paid:		
1,736,446,305 (2015: 1,386,361,214) shares of HK$1.00 each	**1,736,446**	1,386,361

During the year, the movements in the Company's issued share capital account were as follows:

(a) The subscription rights attached to 1,024,000 and 211,091 share options were exercised at the subscription prices of HK$3.17 and HK$3.48 per share, respectively, resulting in the issue of an aggregate of 1,235,091 shares of HK$1.00 each for a total cash consideration of HK$3,981,000 before expenses.

(b) On 11 December 2015, the Company entered into a subscription agreement with an independent subscriber, pursuant to which the subscriber agreed to subscribe and the Company agreed to allot and issue 348,850,000 new shares at HK$6.50 per share for an aggregate subscription price of HK$2,267,525,000. The subscription was completed on 11 May 2016. Further details are set out in the Company's announcements dated 11 December 2015, 8 April 2016 and 11 May 2016.

14. COMPARATIVE AMOUNTS

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

BUSINESS REVIEW FOR THE YEAR ENDED 31 DECEMBER 2016

In 2016, market competition remained intense. Global LCD market shipments decreased by 1.3% while the shipping amount declined by 10.9% year-on-year. The PRC market has witnessed an increase in shipment against the backdrop of a decline in global TV shipments, which was mainly attributable to the increasing demand for high-end products in the PRC market. According to the report from CMM, overall sales volume of TVs in the PRC market increased by 7.4% year-on-year in 2016. However, due to the fluctuations in panel price and the downward trend of average market price, the overall market sales volume in the PRC market went up, but the shipping amount was down by 7.1% year-on-year. With the panel costs increased in 2016, the profitability of TV industry was impacted to a certain extent.

Encountering a challenging market environment and fierce competition, the Group continuously optimised its product mix to boost the proportion in sales volume of high-end products such as quantum dot, curved, 4K and large screen TVs, etc.. The Group also enhanced operational efficiency and strengthened cost control. Various measures for reducing costs have yielded results and caused the non-panel costs to decrease as well. In the overseas markets, the Group has made significant breakthroughs and improvements in sales volume and earnings. Besides, the foreign exchange gains and losses were under control due to the relatively stable exchange rate in 2016 when compared with 2015, resulting in an improvement in operating results.

In 2016, the Group achieved a turnover of HK$33.36 billion, dropped by 1.9% year-on-year. Gross profit increased by 1.1% year-on-year to HK$5.82 billion, and gross profit margin rose from 16.9% of the same period of last year to 17.4%. Operating profit was HK$300 million, and net profit after tax was HK$180 million. Profit attributable to owners of the parent amounted to HK$180 million. Basic earnings per share was HK11.8 cents.

In the fourth quarter, the Group's turnover was HK$9.69 billion, representing an increase of 1.2% year-on-year. Gross profit decreased by 12.7% when compared with the same period of last year to HK$1.77 billion and gross profit margin declined by 2.9 percentage points in the same period of last year to 18.2%. Operating profit amounted to HK$47.36 million, and net profit after tax was HK$39.79 million. Profit attributable to owners of the parent amounted to HK$35.88 million. Basic earnings per share was HK2.17 cents.

The Group ranked No. 3 in the global LCD TV market with a market share of 9.0% in 2016 according to the latest IHS Technology and the Company shipment data, and ranked No. 3 in the PRC LCD TV market with a market share of 14.2% in 2016 according to CMM's report.

On 5 December, 2016, the Company was included in the eligible shares list of the Southbound Hong Kong Trading Link under Shenzhen-Hong Kong Stock Connect ("Shenzhen-Hong Kong Stock Connect"). The Shenzhen-Hong Kong Stock Connect will offer alternative investing channels in both the PRC and Hong Kong stock markets, to enliven the two stock markets by boosting trade volume and increasing the valuations of Hong Kong stocks. The Group expects to attract more Chinese and overseas investors through the programme.

The Group's sales volume of LCD TVs by regions and the number of TCL smart TV users during the year were as follows:

	2016 *('000 sets)*	2015 *('000 sets)*	**Change**
LCD TVs	**19,956**	17,343	15.1%
Total			
– PRC Market	**9,415**	9,244^	1.8%
– Overseas Markets	**10,541**	8,099^	30.2%
Of which: Smart TVs	**10,593**	6,265	69.1%
4K TVs	**3,977**	1,858	114.1%

^ Restated

	Accumulated total as of 31 December 2016	**December 2016**	December 2015	**Change**	**2016**	2015	**Change**
Number of TCL activated smart TV users(1)	**17,289,434**	**606,989**	483,653	25.5%	**5,364,578**	4,558,404	17.7%
Daily average number of active users(2)	**N/A**	**7,473,240**	4,800,723	55.7%	**N/A**	N/A	N/A

Notes:

(1) Number of TCL activated smart TV users refers to the number of users who use the internet TV web service for more than once.

(2) Daily average number of active users refers to the number of unrepeated individual users who visit within 7 days.

The PRC Market

According to the CMM's report, the sales volume in the PRC market was 52.05 million sets, up by 7.4% year-on-year. Impacted by the fluctuations in prices of raw materials and average market selling price, turnover was conversely down by 7.1% year-on-year to RMB152.4 billion. Although there was an upward adjustment later, earnings were still affected due to the increase in panel prices.

In 2016, the Group's LCD TV sales volume increased by 1.8% year-on-year to 9.41 million sets. Affected by prices of major raw materials, average market selling price and 6.1% year-on-year depreciation in the average exchange rate of Renminbi against Hong Kong dollars in 2016, the average selling price of LCD TVs decreased by 13.8% year-on-year while turnover decreased by 12.2% year-on-year to HK$19.17 billion, imposing pressure on earnings.

Despite this, the Group has proactively optimised its product mix and further strengthened cost control, which resulted in a significant improvement in non-panel cost reduction and a year-on-year increase in gross profit margin of LCD TVs from 20.6% to 20.9%.

With continued product mix enhancements, the proportion of mid-to-high-end products has been steadily increasing in 2016 (Data below excluded ODM business).

- Smart TV sales volume increased by 10.1% year-on-year to 5.15 million sets, which accounted for 66.1% of the LCD TV sales volume, rising from 53.7% in the same period of last year.

- 4K TV sales volume increased by 63.3% year-on-year to 2.83 million sets, which accounted for 36.3% of the LCD TV sales volume, rising from 19.9% in the same period of last year.

- Market share of curved TVs was 30.4% in 2016, maintaining No.1 position among the domestic brands in the market (Source: CMM). The proportion of accumulated curved TV sales volume to the Group's LCD TV sales volume in the PRC market rose from 2.5% in the same period of last year to 10.9%.

- Proportion of the sales volume of products with screen size of 55 inches and above increased from 16.6% of LCD TV sales volume in 2015 to 29.0% in 2016.

- The average size of TVs sold increased from 41.5 inches in the same period of last year to 44.3 inches.

According to CMM's report, TCL's LCD TV brand price index increased from 87 in 2015 to 93, ranking No. 3.

The Group continued to promote the integration of online and offline channels, diversify its sales channels and enhance cooperation with the existing channels. Proportion of sales volume from electronic business sales channels increased from 16.1% in 2015 to 20.0% in 2016.

Overseas Markets

Along with the Group's continued efforts in expanding the sales channels, accelerating its product mix transition towards high-end products such as large screen, smart, 4K and curved TVs etc., the product mix was further improved and the TCL brand image was enhanced, contributing to a significant improvement in operating results in the overseas markets.

Product mix (excluding ODM business) was enhanced through the CBUS (curved, large screen, 4K, smart TVs) strategy:

- The proportion of curved TV sales volume increased from 0.2% in 2015 to 1.9% in 2016

- The proportion of TV with screen size of 55 inches and above sales volume increased from 8.2% in 2015 to 14.8% in 2016

- The proportion of 4K TV sales volume increased from 2.6% in 2015 to 14.8% in 2016

- The proportion of smart TV sales volume increased from 33.8% in 2015 to 58.2% in 2016

Contributed by the continued sales growth in the North American market and the emerging markets, the Group's LCD TV sales volume in 2016 increased by 30.2% year-on-year to 10.54 million sets, turnover was up by 16.2% year-on-year to HK$13.92 billion and gross profit margin rose to 12.5% from 10.0% in the same period of last year.

Besides, the associate company established by TCL and Brazilian SEMP enables both parties to share channels and resources, enhance capacities in sales, brand promotion as well as supply chain efficiency.

Performance in the overseas markets in 2016:

- In the North American market, LCD TV sales volume surged by 71.8% year-on-year, with its ranking of market share, in terms of sales volume, climbing from No.9 in the same period of last year to No.6 in 2016 (Source: NPD).

- LCD TV sales volume in the emerging markets rose by 44.3% year-on-year, of which market shares, in terms of sales volume for the year 2016 in Thailand, remained No.3. Ranking in Vietnam has increased from No.5 in the same period of last year to No.4 in 2016, while ranking in Australia was No.6 (Source: GfK).

- Due to fluctuations in exchange rates and increased panel prices, LCD TV sales volume in the European market slightly dropped by 0.9% year-on-year. In terms of sales volume, the Group ranked No.3 in France in 2016, rising from No.4 in the same period of last year (Source: GfK).

- LCD TV sales volume of the strategic ODM business was up by 21.3% when compared with the same period of last year.

The Group continued to optimise its product mix to strengthen competitiveness, actively developed new markets, expanded sales channels as well as taking advantages of different channels to increase sales.

Internet Business

Adhering to the development strategy of "double +" strategic transformation, the Group has actively built TCL TV+ service ecosystem, and established strengthened cooperation with internet service providers for mutual collaboration.

As of December 2016, the accumulated number of TCL activated smart TV users totalled 17,289,434, the daily average number of active users in December 2016 was 7,473,240 (Source: Huan).

- Video-on-demand business totalled 17.40 million users, increasing by 12.4% when compared with the first three quarters of 2016;

- Lifestyle business totalled 4.89 million users, increasing by 51.8% when compared with the first three quarters of 2016;

- Applications business totalled 15.40 million users, increasing by 32.0% when compared with the first three quarters of 2016.

- Spending time of users reached 4.7 hours, representing an enhancement in user loyalty.

The Group's internet business recorded an increase of 69.3% year-on-year in the turnover to approximately RMB72.29 million in 2016.

R&D

The Group has achieved breakthroughs in various technologies, such as local dimming backlight technology in thin products, the quantum dot technology in rimless TV, etc. These technologies were firstly applied in the high-end sub-brand XESS series TVs, significantly improving the TV display quality and boosting the core competitiveness of TCL brand.

Applying state-of-the-art technologies, the XESS X1 series are equipped with the best ever light-emitting material – Yue Cai quantum dot display material, to achieve a 110% of the industry's highest colour gamut, pure colour performance and precise colour expression. The X1 adopts the most advanced local dimming backlight technology, Dolby Vision High Dynamic Range technology and the superior Harman Kardon stereo. In addition, X1 has built-in smart home control centers with three core scene-oriented content platforms, namely Magic Theater, Home Mode and Smart Mode, as well as a brand new TCL TV + OS 3.0 system. Products are also installed with Tencent video applications, offering a rich variety of contents covering entertainment programmes, sports, movies, etc.

Additionally, the Group's high-end 4K Android TV X1 was debuted and well recognized in the European market during the year. The Group will also utilise the Android Google Play applications to enrich the product contents, in order to provide diversified services and more convenient experience.

For nine consecutive years, TCL has been selected as the "Global Top 50 Consumer Electronics Brands" and "Top 10 Chinese Consumer Electronics Brands" hosted by the International Data Group ("IDG"), the United States of America. Its quantum dot TV has also been awarded "Consumer Electronics Show ("CES") Global Display Technology Innovation Award of the Year", which again showed that TCL has been well-recognized by the industry.

Furthermore, the Group has won three awards for its three products respectively at the German iF Product Design Award 2017, namely TCL high-end sub-brand XESS TV series flagship X1, the quantum dot curved 4K TV and the latest TCL TV remote controls series RC800, demonstrating the world's leading design concepts and technological innovation.

Outlook

Looking into 2017, it is expected that the PRC and global economy will continue to face downward pressure, leading to sluggish market demand. On the other hand, factors like the fluctuations in panel prices and intensified competition brought by the Internet brands, etc., are expected to bring more challenges to the TV industry.

In view of this, the Group will set "efficiency is basis, structure is core, profit is goal" as its overall operation strategy for 2017 and continue to strengthen the establishment of core competencies of the enterprise and forge core competitiveness. It will continue to promote strategic transformation of twin drivers of "double +" and internationalisation. Meanwhile, the Group will also strive to improve operational efficiency and further implement stringent cost control measures, thus strengthening the core brand competitiveness, improving profitability and achieving sustainable development.

The "efficiency is basis, structure is core, profit is goal" operation philosophy: Focus on "two-up and two-down" as operating strategy to increase the proportion of products with high gross profit and low cost channels while decreasing system costs and asset turnover days; implement structure-based competitive strategy including flagship product strategy, new product category and new technology; continue to foster the establishment of four core competitiveness including product technology capabilities, industry capabilities, brand and channel capabilities as well as internet application and service capabilities; streamline organization, optimise processes and enhance personel efficiency.

1. The Group will continue to implement the "double +" strategic transformation. It will establish a customer-centric ecosystem based on platform operation to develop new business models; optimise software and hardware experiences, integrate product and operation platforms to optimise user experience, enhance platform capability and expand the scale of operations; and actively implement the TV+ business strategy in the overseas markets.

2. The Group will continue to pursue internationalisation. It will focus on branding by strengthening brand investment and enhancing brand image; enhance efficiency and structural transformation to establish operating models with healthy and steady growth; and strengthen and enhance existing businesses while focusing on breakthroughs in the key markets.

3. The Group will enhance core competitiveness and operation efficiency. It will continue to innovate and enhance R&D capability to maintain product competitiveness; implement intelligent manufacturing and strengthen industrial manufacturing capability; and optimise business and workflow to enhance operational efficiency and decrease system costs.

The Group has nearly finished its LCD TV sales volume target of 20.00 million sets for the year of 2016. The LCD TV sales volume target for the year of 2017 is set as 22.00 million sets. The Group will take full advantage of the resources of TCL Corporation to deepen cooperation with different parties along the integrated supply chain and to gradually establish and anchor its multi-faceted internet-based capabilities. The Group will also actively build a comprehensive ecosystem for smart TVs to provide users with an exquisite experience with smart products and services, thereby delivering greater enterprise value and returns to shareholders.

FINANCIAL REVIEW

Significant Investments, Acquisitions and Disposals

On 4 March 2016, the Company and Barn Holding Pte. Limited, an independent third party, entered into a share purchase agreement pursuant to which the Company agreed to dispose 80% of its 100% equity interest in Million China International Holdings Limited ("Million China") to Barn Holding Pte. Limited for a consideration of approximately RMB45,227,000 (equivalent to approximately HK$53,458,000). Million China is an investment holding company and its subsidiary, Lekun Warehousing (Wuxi) Co., Ltd., is engaged in property holding. The disposal was completed on 30 May 2016. Gain on disposal of subsidiaries amounted to approximately HK$839,000 was recorded in profit or loss during the year.

On 24 June 2016, TCL Overseas Consumer Electronics Limited ("OCE", a wholly-owned subsidiary of the Company) entered into a joint venture and shareholders' agreement with Semp Amazonas S.A., an independent third party, to invest in a Brazilian company, Semp TCL Industria E Comercio De Eletroeletronicos S.A. ("SSA"). Pursuant to the joint venture and shareholders' agreement, OCE agreed to contribute BRL80,000,000 (equivalent to approximately HK$190,264,000) to SSA, representing 40% of the enlarged share capital of SSA. The initial and second capital injections of BRL32,000,000 (equivalent to approximately HK$79,112,000) and BRL24,000,000 (equivalent to approximately HK$56,179,000) respectively were completed on 1 August 2016 and 10 October 2016 respectively.

On 29 December 2016, Nanchang Huihaitong Network and Technology Co. Ltd. ("Huihaitong", a non-wholly owned subsidiary of the Company) has entered into a shareholders' agreement ("Jiangxi Shareholders' Agreement") with Jiangxi Province Broadcasting and Television Network Communication Co. Ltd. ("Jiangxi Broadcasting", an independent third party). Pursuant to the Jiangxi Shareholders' Agreement, Huihaitong and Jiangxi Broadcasting would jointly establish Jiangxi Broadcasting and Television Network Electronic Business Co. Ltd. (the "Jiangxi Joint Venture") and the registered capital of the Jiangxi Joint Venture would be RMB30,000,000 (equivalent to approximately HK$33,542,000), in which RMB15,300,000 (equivalent to approximately HK$17,106,000), i.e. 51% of the total registered capital, would be contributed by Jiangxi Broadcasting and RMB14,700,000 (equivalent to approximately HK$16,436,000), i.e. 49% of the total registered capital, would be contributed by Huihaitong.

Save as disclosed above, the Group had no other significant investment, acquisition and disposal during the year.

Liquidity and Financial Resources

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

The cash and bank balance of the Group as at 31 December 2016 amounted to approximately HK$3,882,361,000, of which 0.4% was maintained in Hong Kong dollars, 39.1% in US dollars, 56.1% in Renminbi, 2.4% in Euros and 2.0% in other currencies for the overseas operation.

There was no material change in the available credit facilities when compared with those for the year ended 31 December 2015. The net carrying amounts of the Group's fixed assets held under finance leases included in the total amounts of furniture, fixtures and equipment and motor vehicles as at 31 December 2016 amounted to approximately HK$3,755,000 (31 December 2015: HK$5,057,000) and HK$2,267,000 (31 December 2015: HK$3,053,000), respectively.

As at 31 December 2016, the Group's gearing ratio was 0% since the Group's cash and bank balances of approximately HK$3,882,361,000 were higher than the total interest-bearing borrowings of approximately HK$1,355,643,000. The maturity profile of the borrowings ranged from one to two years.

Pledge of Assets

As at 31 December 2016, no asset of the Group was pledged (31 December 2015: pledged deposits of the Group amounting to approximately HK$80,881,000 were pledged for bills payable amounting to approximately HK$75,986,000).

Capital Commitments and Contingent Liabilities

At the end of the reporting period, the Group had the following capital commitments:

	2016	2015
	HK$'000	*HK$'000*
Contracted, but not provided for	**75,690**	20,858
Authorised, but not contracted for	**253,075**	285,522
	328,765	306,380

As at 31 December 2016, the Group did not have any material contingent liability not provided for in the consolidated financial statements.

Pending Litigation

The Group was not involved in any material litigation as at 31 December 2016.

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 31 December 2016, the Group had a total of 23,616 dynamic and talented employees. They were all dedicated to advancing the quality and reliability of our operations. Remuneration policy 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, share options were granted to relevant grantees, including employees of the Group, under the Company's share option scheme. Share options for subscribing a total of 171,049,918 shares remained outstanding at the end of the reporting period.

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. Pursuant to the rules of the Award Scheme, existing shares would be purchased from the market or new shares would be subscribed for by a designated trustee, BOCI-Prudential Trustee Limited, out of cash contributed by the Company, and would be held on trust for the relevant grantees, including employees of the Group, until such shares are vested with the relevant grantees in accordance with the provisions of the Award Scheme.

PURCHASES, SALE OR REDEMPTION OF SHARES

There was no purchase, sale or redemption of shares for the year ended 31 December 2016.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 17 May 2017, Wednesday to 23 May 2017, Tuesday (both dates inclusive), for the purposes of determining the entitlements of the shareholders of the Company to attend and vote at the annual general meeting ("AGM"). No transfer of the shares may be registered during the said period. In order to qualify to attend and vote at the AGM, 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on 16 May 2017, Tuesday.

AGM

The AGM of the Company will be held on 23 May 2017, Tuesday. The notice of AGM will be published on the websites of the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") and despatched to the shareholders of the Company in due course.

CORPORATE GOVERNANCE

The Company has established and will continue to optimise risk management and internal control system. The Company reports to the Board and the subordinated audit committee ("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 the respective responsibilities in terms of corporate governance.

None of the directors of the Company is aware of any information which would reasonably indicate that the Company had not, throughout the year ended 31 December 2016, 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 Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, except for the deviation from the Code Provisions A.6.7, D.1.4, E.1.2 and F.1.1.

Under Code Provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of the shareholders.

Due to other pre-arranged business commitments which must be attended to by each of them:

(1) Mr. HUANG Xubin, being a non-executive director of the Company, and Mr. TANG Guliang, Mr. Robert Maarten WESTERHOF and Dr. TSENG Shieng-chang Carter, being independent non-executive directors of the Company, were not present at the extraordinary general meeting ("EGM") of the Company held on 14 January 2016;

(2) Mr. HUANG Xubin, Mr. Winston Shao-min CHENG and Mr. Abulikemu ABULIMITI, being non-executive directors of the Company, and Mr. Robert Maarten WESTERHOF and Professor WANG Yijiang, being independent non-executive directors of the Company, were not present at the AGM of the Company held on 18 May 2016;

(3) Mr. HUANG Xubin, Mr. Winston Shao-min CHENG and Mr. Abulikemu ABULIMITI, being non-executive directors of the Company, and Mr. Robert Maarten WESTERHOF and Professor WANG Yijiang, being independent non-executive directors of the Company, were not present at the EGM of the Company held on 19 July 2016; and

(4) Mr. HUANG Xubin, Mr. Albert Thomas DA ROSA, Junior, Mr. Winston Shao-min CHENG and Mr. Abulikemu ABULIMITI, being non-executive directors of the Company, and Mr. Robert Maarten WESTERHOF, Dr. TSENG Shieng-chang Carter and Professor WANG Yijiang, being independent non-executive directors of the Company, were not present at the EGM of the Company held on 6 December 2016.

However, (i) Mr. Albert Thomas DA ROSA, Junior and Professor SO Wai Man Raymond were present at the aforesaid EGM held on 14 January 2016; (ii) Mr. Albert Thomas DA ROSA, Junior, Dr. TSENG Shieng-chang Carter and Professor SO Wai Man Raymond were present at the aforesaid AGM held on 18 May 2016; (iii) Mr. Albert Thomas DA ROSA, Junior, Dr. TSENG Shieng-chang Carter and Professor SO Wai Man Raymond were present at the aforesaid EGM held on 19 July 2016; and (iv) Professor SO Wai Man Raymond was present at the aforesaid EGM held on 6 December 2016 to ensure an effective communication with the shareholders thereat.

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 its directors (except for Mr. YAN Xiaolin, Ms. XU Fang, Mr. Winston Shao-min CHENG, Mr. Abulikemu ABULIMITI, Professor SO Wai Man Raymond and Professor WANG Yijiang) as most of them have been serving as directors for a considerable period of time, 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 ("Articles"), and on re-election of the retiring directors, shareholders are given information that is reasonably necessary for them to make an informed decision on the reappointment of the relevant directors.

Under Code Provision E.1.2, the Chairman of the Board should attend the AGM.

Due to other pre-arranged business commitments which must be attended by him, Mr. LI Dongsheng, the Chairman, was not present at the AGM held on 18 May 2016. However, as mentioned above, one non-executive director and two independent non-executive directors of the Company were present at the AGM. Moreover, Ms. XU Fang, an executive director of the Company, was present at the AGM and was elected chairman thereof pursuant to the Articles to ensure an effective communication with the Shareholders thereat.

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

Ms. PANG Siu Yin ("Ms. PANG"), the company secretary of the Company until her resignation which took effect on 13 August 2016, and Ms. CHOY Fung Yee ("Ms. CHOY"), the current company secretary of the Company appointed with effect from 13 August 2016, are not employees of the Company.

Ms. PANG was a partner of the Company's legal advisor, Messrs. Cheung Tong & Rosa Solicitors. Ms. PANG has been appointed as the company secretary of the Company since 1999 until her resignation. Ms. CHOY is a partner of the Company's legal advisor, Messrs. Cheung Tong & Rosa Solicitors.

The Company has also assigned Mr. SIN Man Lung, financial controller of the Company, as the contact person with Ms. PANG (during her office) and 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. PANG (during her office) and Ms. CHOY through the contact person assigned. Given the long-term relationship between Messrs. Cheung Tong & Rosa Solicitors and the Group, Ms. PANG (during her office) and Ms. CHOY are both 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. PANG (during her office) and Ms. CHOY would get hold of the Group's development promptly without material delay and with their expertise and experience, the Board is confident that having Ms. PANG (during her office) and Ms. CHOY as the company secretary is beneficial to the Group's compliance with the relevant board procedures, applicable laws, rules and regulations.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2016, including the accounting principles adopted by the Group, with the Company's management. The Audit Committee comprises four members including Professor SO Wai Man Raymond (Chairman), Dr. TSENG Shieng-chang Carter and Professor WANG Yijiang, all being independent non-executive directors of the Company, and Mr. HUANG Xubin, being a non-executive director of the Company.

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 (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 year.

On behalf of the Board
LI Dongsheng
Chairman

Hong Kong, 21 March 2017

As at the date of this announcement, the Board comprises LI Dongsheng, BO Lianming, YAN Xiaolin and XU Fang as executive directors, Albert Thomas DA ROSA, Junior, HUANG Xubin, Winston Shao-min CHENG and Abulikemu ABULIMITI as non-executive directors and Robert Maarten WESTERHOF, TSENG Shieng-chang Carter, SO Wai Man Raymond and WANG Yijiang as independent non-executive directors.