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

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

RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

Results for the year ended 31 December

	2019 **(HK$M)**	2018 *(HK$M)* *(restated)*	**Change**
Turnover	**46,991**	45,582	3.1%
Gross profit	**8,170**	6,952	17.5%
Operating profit	**2,624**	1,285	104.2%
Net profit after tax	**2,325**	1,031	125.5%
Profit attributable to owners of the parent	**2,279**	1,041	118.9%
Basic earnings per share *(HK cents)*	**100.06**	46.99	112.9%
Full year dividend per share *(HK cents)*	**21.16**	19.18	10.3%
– Paid interim dividend per share	**10.56**	9.80	7.8%
– Proposed final dividend per share	**10.60**	9.38	13.0%

BUSINESS REVIEW OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2019

- In 2019, the Group proactively promoted intelligentisation, globalisation, R&D innovation and "AI x IoT" strategic transformation. Taking advantage of its leading position in the industry, the Group also focused on developing smart TV, Internet services, smart home and commercial display systems based on household and commercial scenarios. The Group will continuously increase its investment in R&D to develop advanced display technologies such as QD, Mini LED and 8K, so as to further enhance its product competitiveness while strengthening and improving its existing TV business. At the same time, in order to become a fast-growing intelligent technology enterprise with constant revenue generated from user operation, the Group endeavours to develop its business in the field of IoT by establishing a household TV-centred IoT ecosystem. In 2019, the business of the Group scaled up steadily with a breakthrough growth in annual operating results and the Company's competitive edge in the industry was further enhanced.

- **Global Business Scale Continued to Expand and Sales Volume Continued to Rank Second in the Global TV Market**

  In 2019, the Group's global TV sales continued to increase and sales volume achieved its annual target of 32.00 million sets, up by 11.9% year-on-year, representing a market share of 13.0% in shipment which continued to rank second in the global TV market (data source: Sigmaintell). Among other things, the sales volume of TCL brand TV increased by 16.5% year-on-year to 20.64 million sets, with its market share ranking third in the global TV market (data source: IHS), further showing the global competitive advantage of TCL brand. There was also an obvious trend that the TCL brand TV being recognised as high-end products, compared to that in the preceding year, the sales volume of super-large TVs over 65 inches doubled while the sales volume of QD TV increased by 66.4% year-on-year.

- **Rapid Development in Global Internet Business, First-time Sustainable Revenue from Overseas Internet Business, and Higher Profitability of Falcon Network Technology Group**

  The Group proactively improved the user experience of its Internet business and enriched its platform content. In 2019, the Group's revenue from global Internet business significantly rose by 108.7% year-on-year to HK$756 million. Among other things, the Group deepened its cooperation with Roku, Google and Netflix in the overseas markets and gained a sustainable revenue of HK$210 million from overseas Internet business for the first time, which accounted for 27.8% of the Group's total revenue from the Internet business. The revenue from services provided by Falcon Network Technology Group reached HK$546 million, up by 50.7% year-on-year, with an ARPU of HK$34.9. Falcon Network Technology Group recorded a net profit of HK$175 million, representing a significant increase of 137.8% year-on-year and a net profit margin of 32.0%, up by 11.7 percentage points year-on-year. Additionally, the user base and user loyalty of the Group's Internet business have further improved. As of 31 December 2019, the cumulative number of activated users of the Group's Internet business around the world reached 42.34 million with an increase of 32.7% year-on-year. Moreover, as of December 2019, the global average daily number of active users reached 20.79 million with an increase of 36.1% over the year 2018; the average time spent on TV per user per day increased to 5.7 hours.

- **Global Production Capacity Layout, Leading Competitive Advantage in Overseas Markets, Excellent Growth in Both Sales Volume and Profit**

  After entering into the overseas markets for 20 years, the advantages from the Group's leading global business portfolio became more obvious and its international competitiveness has significantly increased. Meanwhile, in order to achieve globalised production capacity, the Group has established factories outside the PRC, for example, in Mexico, Vietnam, Poland, India and South America, which provides strong support for the rapid development of its overseas business. In 2019, the sales volume of TCL brand TV in overseas markets substantially increased by 26.1% year-on-year to 13.46 million sets and the turnover surged to HK$21.00 billion, representing an increase of 14.1% year-on-year. The Group's profitability greatly improved with the operating result of TCL brand TV business in overseas reaching HK$0.88 billion, up by 42.3% year-on-year. According to reports published by GfK and NPD, in 2019, the market share of TCL brand TV grew steadily in multiple countries and was one of the market leaders in 15 countries.

- **Profitability Continued to be Improved, Proposed Final Dividend HK10.60 Cents Per Share**

  As of 31 December 2019, on a year-on-year basis, the Group's turnover hit a new record high of HK$46.99 billion, up by 3.1%. The annual gross profit increased year-on-year by 17.5% to HK$8.17 billion. As a result of product mix optimisation, annual gross profit margin increased by 2.1 percentage points to 17.4% compared to the same period last year and the annual expense ratio was 13.8%. The Group's net profit after tax in 2019 was HK$2.33 billion, increasing by 125.5% year-on-year. Profit attributable to owners of the parent was HK$2.28 billion, representing a steep increase of 141.4% when compared with that of 2018 before restatement. Due to the finalisation of the fair value assessment on the transactions of acquisition of equity interest in associates in 2018 of this year, profit attributable to owners of the parent in 2018 increased to HK$1.04 billion, and as such profit attributable to owners of the parent showed an increase of 118.9% over that of the preceding year after restatement. Profit attributable to owners of the parent after deducting one-time non-operating item was HK$1.07 billion, up by 35.0% year-on-year. Basic earnings per share was HK100.06 cents and basic earnings per share after deducting one-time non-operating gain was HK46.77 cents. The Board proposed, subject to shareholders' approval, a final dividend of HK10.60 cents per share for the year ended 31 December 2019. The full year dividend was HK21.16 cents per share, representing a dividend payout ratio of 45% based on profit attributable to owners of the parent after deducting one-time non-operating gain.

The board (the "Board") of directors ("Directors" and each a "Director") of TCL Electronics 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 2019 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**	
		2019	2018	**2019**	2018
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
			(restated)		*(restated)*
TURNOVER	4	**46,991,139**	45,581,970	**13,302,107**	12,792,417
Cost of sales		**(38,821,075)**	(38,629,813)	**(10,857,227)**	(10,806,351)
Gross profit		**8,170,064**	6,952,157	**2,444,880**	1,986,066
Other revenue and gains		**1,951,769**	888,432	**572,860**	230,448
Selling and distribution expenses		**(4,938,685)**	(4,476,731)	**(1,345,694)**	(1,297,529)
Administrative expenses		**(1,525,189)**	(1,322,550)	**(587,632)**	(363,323)
Research and development costs		**(987,149)**	(722,290)	**(233,049)**	(238,664)
Other operating expenses		**(19,027)**	(20,939)	**(12,755)**	(13,629)
Impairment on financial assets, net		**(27,468)**	(13,258)	**(941)**	5,598
		2,624,315	1,284,821	**837,669**	308,967
Finance costs	5	**(138,155)**	(97,728)	**(34,609)**	(49,256)
Share of profits and losses of:					
Joint ventures		**13,041**	2,426	**5,797**	657
Associates		**25,180**	68,693	**44,950**	68,688
PROFIT BEFORE TAX	6	**2,524,381**	1,258,212	**853,807**	329,056
Income tax	7	**(199,288)**	(226,778)	**(44,556)**	25,125
PROFIT FOR THE YEAR/PERIOD		**2,325,093**	1,031,434	**809,251**	354,181

	Twelve months ended 31 December		Three months ended 31 December	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(restated)		*(restated)*
OTHER COMPREHENSIVE INCOME/ (LOSS)				
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:				
Cash flow hedge:				
Effective portion of changes in fair value of the hedging instruments arising during the year/period	**(7,857)**	43,028	**(48,362)**	21,197
Reclassification adjustments for losses/ (gains) included in the consolidated statement of profit or loss	**(3,621)**	(32,314)	**21,488**	(24,658)
	(11,478)	10,714	**(26,874)**	(3,461)
Exchange differences:				
Translation of foreign operations	**(254,647)**	(383,669)	**85,542**	(17,985)
Reclassification adjustments for foreign operations disposed of or liquidated during the year/period	**(7,848)**	16,622	**(8,831)**	21,400
Reclassification adjustments for deemed partial disposal or disposed of associates during the year/period	**353**	–	**(24)**	–
	(262,142)	(367,047)	**76,687**	3,415
Financial assets at fair value through other comprehensive income:				
Changes in fair value, net of income tax	**3,490**	19,852	**(6,049)**	19,852
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	**(270,130)**	(336,481)	**43,764**	19,806

	Note	Twelve months ended 31 December **2019** *HK$'000*	Twelve months ended 31 December 2018 *HK$'000* *(restated)*	Three months ended 31 December **2019** *HK$'000*	Three months ended 31 December 2018 *HK$'000* *(restated)*
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:					
Equity investments designated at fair value through other comprehensive income:					
Changes in fair value, net of income tax		**(7,525)**	9,088	**(6,322)**	14,966
Share of other comprehensive income of associates		**1,110**	12,370	**2,449**	10,742
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods		**(6,415)**	21,458	**(3,873)**	25,708
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD, NET OF TAX		**(276,545)**	(315,023)	**39,891**	45,514
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		**2,048,548**	716,411	**849,142**	399,695
Profit/(loss) attributable to:					
Owners of the parent		**2,279,426**	1,040,819	**773,892**	359,406
Non-controlling interests		**45,667**	(9,385)	**35,359**	(5,225)
		2,325,093	1,031,434	**809,251**	354,181
Total comprehensive income/(loss) attributable to:					
Owners of the parent		**2,017,394**	727,930	**812,182**	405,301
Non-controlling interests		**31,154**	(11,519)	**36,960**	(5,606)
		2,048,548	716,411	**849,142**	399,695
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		*(restated)*		
Basic		**HK100.06 cents**	HK46.99 cents		
Diluted		**HK98.24 cents**	HK45.84 cents		

Details of the dividends for the year are disclosed in note 8.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**31 December 2019** *HK$'000*	31 December 2018 *HK$'000* *(restated)*
NON-CURRENT ASSETS			
Property, plant and equipment		**1,531,460**	1,347,073
Right-of-use assets		**285,569**	–
Prepaid land lease payments		**–**	154,123
Investment properties		**127,908**	128,079
Goodwill		**1,867,990**	781,962
Other intangible assets		**156,166**	111,102
Investments in joint ventures		**31,323**	18,801
Investments in associates		**1,398,627**	1,419,662
Equity investments designated at fair value through other comprehensive income		**143,920**	128,770
Deferred tax assets		**85,584**	101,737
Other deferred assets		**44,430**	46,011
Restricted cash		**3,396**	–
Total non-current assets		**5,676,373**	4,237,320
CURRENT ASSETS			
Inventories		**5,401,416**	6,982,733
Trade receivables	10	**5,993,843**	4,881,560
Bills receivable		**4,167,798**	2,360,909
Prepayment, other receivables and other assets		**2,743,731**	2,900,251
Tax recoverable		**41,180**	74,802
Financial assets at fair value through profit or loss		**961,576**	–
Derivative financial instruments		**139,480**	101,914
Restricted cash		**2,431**	–
Cash and bank balances		**8,194,743**	6,741,976
		27,646,198	24,044,145
Non-current assets classified as held for sale		**–**	21,445
Total current assets		**27,646,198**	24,065,590

	Notes	**31 December 2019** ***HK$'000***	31 December 2018 *HK$'000* *(restated)*
CURRENT LIABILITIES			
Trade payables	11	**9,396,398**	9,801,922
Bills payable		**2,683,814**	1,613,794
Other payables and accruals		**6,477,884**	5,151,507
Interest-bearing bank and other borrowings	12	**1,648,612**	1,093,987
Lease liabilities		**80,808**	–
Tax payable		**134,708**	56,423
Derivative financial instruments		**44,086**	22,177
Provisions		**689,597**	589,091
Total current liabilities		**21,155,907**	18,328,901
NET CURRENT ASSETS		**6,490,291**	5,736,689
TOTAL ASSETS LESS CURRENT LIABILITIES		**12,166,664**	9,974,009
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	12	**89,286**	20,540
Lease liabilities		**59,621**	–
Deferred tax liabilities		**46,840**	44,472
Other long-term payables		**27,252**	27,725
Derivative financial instruments		**6,899**	5,336
Total non-current liabilities		**229,898**	98,073
Net assets		**11,936,766**	9,875,936
EQUITY			
Equity attributable to owners of the parent			
Issued capital	13	**2,363,225**	2,335,494
Reserves		**9,216,765**	7,540,198
		11,579,990	9,875,692
Non-controlling interests		**356,776**	244
Total equity		**11,936,766**	9,875,936

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 ("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 and certain financial assets which have been measured at fair value. Non-current assets classified as held for sale are stated at the lower of their carrying amounts and fair value less costs to sell. 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 2019. 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 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 adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

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

Except for the amendments to HKFRS 9 and HKAS 19, and *Annual Improvements to HKFRSs 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

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

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

New definition of a lease

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

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of land, property, machinery, motor vehicles and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

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

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics when measuring the lease liabilities at 1 January 2019

- Excluded initial direct costs from the measurement of the right-of-use assets at the date of initial application

The impact arising from the adoption of HKFRS 16 at 1 January 2019 was as follows:

	Increase/ (decrease) *HK$'000*
Assets	
Increase in right-of-use assets	334,890
Decrease in prepaid land lease payments	(157,145)
Decrease in prepayment, other receivables and other assets	(2,726)
Increase in total assets	175,019
Liabilities	
Increase in lease liabilities	175,019
Increase in total liabilities	175,019

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

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

(b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

3. ADJUSTMENTS ARISING FROM PRIOR YEAR PROVISIONAL ACCOUNTING

During the year, the Group has finalised the fair value assessments of the acquisition of 15% equity interest of Radio Victoria TCL Argentina S.A. ("RVF") and Sontec TCL Argentina S.A. ("Sontec") (the "RVF and Sontec Acquisition") respectively. On completion of the fair value assessments, retrospective adjustments were made to the provisional calculation of identifiable assets and liabilities as of 29 June 2018, being the closing day of the RVF and Sontec Acquisition. Consequently, the Group's consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018, and certain explanatory notes have been restated in this results announcement to reflect these restatements.

The effects of the adjustments arising from completion of the RVF and Sontec Acquisition described above on the profit or loss for the year ended 31 December 2018 by line items presented in the consolidated statement of profit or loss and other comprehensive income were as follows:

	2018 *HK$'000*
Impact on profit for the year	
Adjustment arising from completion of the RVF and Sontec Acquisition:	
Increase in other revenue and gains	117,192
Increase in administrative expenses	(20,236)
Decrease in share of profits and losses of associates	(372)
Net increase in profit for the year	96,584
Net increase in profit attributable to:	
Owners of the parent	96,584
Impact on other comprehensive income for the year	
Adjustment arising from completion of the RVF and Sontec Acquisition:	
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:	
Exchange differences:	
Translation of foreign operations	(213)
Net decrease in other comprehensive income for the year	(213)
Net increase in total comprehensive income attributable to:	
Owners of the parent	96,371

The effects of the adjustments arising from completion of the RVF and Sontec Acquisition described above on the financial position as at 31 December 2018 by line items presented in the consolidated statement of financial position were as follows:

	31 December 2018 *HK$'000* *(originally stated)*	Adjustments arising from completion of the RVF and Sontec Acquisition *HK$'000*	31 December 2018 *HK$'000* *(restated)*
Non-current assets			
Investments in associates	1,412,601	7,061	1,419,662
Current assets			
Derivative financial instruments	7,268	94,646	101,914
Non-current liabilities			
Derivative financial instruments	–	(5,336)	(5,336)
Total effect on net assets	9,779,565	96,371	9,875,936
Equity			
Retained profits	991,635	96,584	1,088,219
Exchange fluctuation reserve	(240,794)	(213)	(241,007)
Total effect on total equity	9,779,565	96,371	9,875,936

Impact on basic earnings per share

	2018
Basic earnings per share before adjustments	HK42.63 cents
Adjustments arising from completion of the RVF and Sontec Acquisition	HK4.36 cents
Restated basic earnings per share	HK46.99 cents

Impact on diluted earnings per share

	2018
Diluted earnings per share before adjustments	HK41.58 cents
Adjustments arising from completion of the RVF and Sontec Acquisition	HK4.26 cents
Restated diluted earnings per share	HK45.84 cents

4. OPERATING SEGMENT INFORMATION

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

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

- TCL brand – the People's Republic of China ("PRC") market;
- TCL brand – the overseas markets; and
- original design manufacturer ("ODM") business;

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

(c) Others segment – comprises smart audio-visual ("Smart AV"), smart home solutions and products and other businesses, including manufacture and sale of TV related components, sale of white goods, mobile phones and air conditioners.

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

Certain reportable operating segments have been restated as the management believes that the information regarding such restated segments would be useful to the users of these financial statements.

	TV						Internet business		Others*		Total		Eliminations		Consolidated	
	TCL brand – the PRC market		TCL brand – overseas markets		ODM business											
	2019 **HK$'000**	2018 *HK$'000* *(restated)*	**2019** **HK$'000**	2018 *HK$'000* *(restated)*	**2019** **HK$'000**	2018 *HK$'000* *(restated)*	**2019** **HK$'000**	2018 *HK$'000* *(restated)*	**2019** **HK$'000**	2018 *HK$'000* *(restated)*	**2019** **HK$'000**	2018 *HK$'000* *(restated)*	**2019** **HK$'000**	2018 *HK$'000* *(restated)*	**2019** **HK$'000**	2018 *HK$'000* *(restated)*
Segment revenue:																
Sales to external customers	**12,993,040**	15,466,668	**20,997,121**	18,403,820	**10,502,164**	11,101,640	**626,176**	–	**1,872,638**	609,842	**46,991,139**	45,581,970	**–**	–	**46,991,139**	45,581,970
Intersegment sales	**4,401,046**	1,795,165	**1,246,089**	1,549,690	**1,242,258**	927,341	**16,012**	–	**290,096**	154,868	**7,195,501**	4,427,064	**(7,195,501)**	(4,427,064)	**–**	–
Total	**17,394,086**	17,261,833	**22,243,210**	19,953,510	**11,744,422**	12,028,981	**642,188**	–	**2,162,734**	764,710	**54,186,640**	50,009,034	**(7,195,501)**	(4,427,064)	**46,991,139**	45,581,970
Segment results	**127,741**	144,089	**877,616**	616,679	**411,458**	537,375	**317,229**	–	**(131,538)**	11,537	**1,602,506**	1,309,680	**–**	–	**1,602,506**	1,309,680
Corporate income/ (expenses), net											**899,959****	(87,158)			**899,959****	(87,158)
Finance costs											**(138,155)**	(97,728)			**(138,155)**	(97,728)
Interest income											**121,850**	62,299			**121,850**	62,299
Share of profits and losses of:																
Joint ventures	**(5)**	–	**13,022**	2,426	**–**	–	**24**	–	**–**	–	**13,041**	2,426			**13,041**	2,426
Associates	**15,079**	21,494	**(26,330)**	13,140	**–**	–	**39,627**	39,089	**(3,196)**	(5,030)	**25,180**	68,693			**25,180**	68,693
Profit before tax											**2,524,381**	1,258,212			**2,524,381**	1,258,212
Income tax											**(199,288)**	(226,778)			**(199,288)**	(226,778)
Profit for the year											**2,325,093**	1,031,434			**2,325,093**	1,031,434

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

** Included a one-off gain of HK$787 million on fair value remeasurement of 44.44% pre-existing equity interest in Shenzhen Falcon Network Technology Co., Ltd.* (深圳市雷鳥網絡科技有限公司) ("Falcon Network Technology") and its subsidiaries (collectively, "Falcon Network Technology Group").

5. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Interest on:		
Bank and other loans	**126,884**	84,359
Loans from TCL Technology Group Corporation ("TCL Technology") (formerly known as TCL Corporation)	**–**	108
Loans from T.C.L. Industries Holdings (H.K.) Limited ("T.C.L. Industries (H.K.)", the immediate holding company of the Company)	**121**	638
Discounted bills receivable from an associate	**3,898**	12,533
Finance lease	**–**	90
Interest expense on lease liabilities	**7,252**	–
	138,155	97,728

6. PROFIT BEFORE TAX

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

	2019	2018
	HK$'000	*HK$'000*
		(restated)
Cost of inventories sold	**38,821,075**	38,629,813
Depreciation of property, plant and equipment	**193,420**	207,809
Depreciation of investment properties	**3,374**	2,886
Depreciation of right-of-use assets (2018: amortisation of prepaid land lease payments)	**86,740**	3,098
Research and development costs	**987,149**	722,290
Amortisation of other intangible assets	**23,223**	5,069
Minimum lease payments under operating leases in respect of land and buildings	**–**	121,635
Lease payments not included in the measurement of lease liabilities	**68,922**	–
Auditor's remuneration	**9,950**	9,600
Employee benefits expenses (including directors' remuneration):		
Wages and salaries	**3,069,333**	2,406,972
Equity-settled share option expense	**35,560**	82,045
Employee share-based compensation benefits under the Award Scheme	**33,108**	64,691
Defined contribution expenses	**267,563**	255,169
	3,405,564	2,808,877
Foreign exchange differences, net	**(94,708)**	(137,535)
Impairment of financial assets:		
Impairment of trade receivables, net	**26,329**	19,546
Impairment/(reversal) of other receivables, net	**1,139**	(6,288)
	27,468	13,258

	2019	2018
	HK$'000	*HK$'000*
		(restated)
Impairment of property, plant and equipment	**4,935****	–
Write-down of inventories to net realisable value	**254,722**	71,564
Realised (gain)/loss on settlement of derivative financial instruments	**(34,455)**	28,170
Realised gain on settlement of financial assets at fair value through profit or loss	**(57,103)**	–
Rental income, net	**(25,781)**	(28,442)
Interest income	**(121,850)**	(62,299)
Government grants*:		
Credited to other revenue and gains	**(206,882)**	(210,839)
Deducted from cost of sales and relevant expenses	**(52,030)**	(38,252)
	(258,912)	(249,091)
Fair value (gains)/losses, net:		
Derivative instruments – transactions not qualifying as hedges	**(22,147)**	21,963
Ineffectiveness of cash flow hedges	**–**	(1,727)
Financial assets at fair value through profit or loss	**(13,044)**	–
(Gain)/loss on disposal of items of property, plant and equipment, net	**2,964****	(167,708)
(Gain)/loss on liquidation of subsidiaries	**1,464****	(6,944)
Gain on disposal of a subsidiary	**(274,804)**	–
Deemed gain on partial disposal of an associate	**(152,658)**	–
Gain on disposal of associates	**(38,782)**	–
Fair value gain of an investment in associates	**(787,394)**	–
Impairment of investment in an associate	**68****	–
Gain on liquidation of an associate	**–**	(43)
Gain on bargain purchase of associates	**–**	(119,962)
Gain on bargain purchase of a subsidiary	**(8,224)**	–
Restructuring cost provision, net	**98**	1,035**
Product warranty provision, net	**587,120**	501,202

Notes:

* Various government grants have been received related to the Group's day-to-day activities. Government grants including VAT refund and national patent subsidies are recorded in "Other revenue and gains" in the consolidated statement of the profit and loss. 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.

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/2019. The first HK$2,000,000 (2018: Nil) of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2019	2018
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**5,178**	6,703
Overprovision in prior years	**(48)**	(2,384)
Current – Elsewhere		
Charge for the year	**181,188**	223,789
(Overprovision)/underprovision in prior years	**(8,982)**	35,767
Deferred	**21,952**	(37,097)
Total tax charge for the year	**199,288**	226,778

8. DIVIDENDS

	2019	2018
	HK$'000	*HK$'000*
Interim dividend – HK10.56 cents (2018: HK9.80 cents) per ordinary share	**249,275**	228,672
Proposed final dividend – HK10.60 cents (2018: HK9.38 cents) per ordinary share	**250,502**	219,916
	499,777	448,588

The interim dividend for the six months ended 30 June 2019 was HK10.56 cents (2018: HK9.80 cents) per ordinary share of the Company and the total amounts declared and paid are HK$249,275,000 and HK$241,374,000 (2018: HK$228,672,000 and HK$220,894,000) respectively.

The above amount of proposed final dividend for the year ended 31 December 2019 was calculated based on the number of shares of the Company as at 31 December 2019 for illustration. The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting ("AGM"). These consolidated financial statements do not reflect this dividend payable.

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of the Company of 2,278,121,477 (2018: 2,215,171,107) in issue during the year.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares of the Company in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The weighted average number of ordinary shares of the Company adopted in the calculation of the basic and diluted earnings per share for the year ended 31 December 2018 have been adjusted retrospectively to reflect the impact of the rights issue carried out by the Company which was completed on 25 January 2018.

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

	2019	2018
	HK$'000	*HK$'000*
		(restated)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	**2,279,426**	1,040,819

	Number of shares	
	2019	2018
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	**2,278,121,477**	2,215,171,107
Effect of dilution – weighted average number of ordinary shares:		
Share options	**7,434,495**	6,649,181
Awarded shares	**34,735,766**	48,904,820
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	**2,320,291,738**	2,270,725,108

10. TRADE RECEIVABLES

	Note	2019 HK$'000	2018 HK$'000
Due from third parties		**4,224,931**	3,729,782
Due from related parties:			
Companies controlled by TCL Industries Holdings Co., Ltd. ("TCL Holdings")	(a)	**1,127,792**	–
Affiliates of TCL Holdings	(a)	**4,021**	–
Companies controlled by TCL Technology	(a)	**155,578**	995,518
Affiliates of TCL Technology	(a)	**4,612**	61,922
Joint ventures	(a)	**80,448**	55,548
Associates	(a)	**322,487**	219,692
Other related parties	(a)	**264,948**	–
		1,959,886	1,332,680
Impairment allowance		**(190,974)**	(180,902)
		5,993,843	4,881,560

Note:

(a) As at 31 December 2019 and 2018, the amounts were interest-free, unsecured and repayable within one year.

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 tenures ranging from 90 to 180 days. Sales to certain long term strategic customers were made on the open-account basis with credit terms of no more than 180 days.

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.

Included in the Group's trade receivables are receivables to be factored of HK$95,770,000 (2018: HK$126,162,000), which are classified as financial assets at fair value through profit or loss. The remaining trade receivables with gross carrying amount of HK$6,089,047,000 (2018: HK$4,936,300,000) are measured at amortised cost.

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

	2019	2018
	HK$'000	*HK$'000*
Current to 90 days	**5,243,566**	4,399,290
91 to 180 days	**375,080**	237,704
181 to 365 days	**156,633**	69,285
Over 365 days	**409,538**	356,183
	6,184,817	5,062,462
Impairment allowance	**(190,974)**	(180,902)
	5,993,843	4,881,560

11. TRADE PAYABLES

	Note	2019	2018
		HK$'000	*HK$'000*
Due to third parties		**6,196,867**	7,224,819
Due to related parties:			
Companies controlled by TCL Holdings	(a)	**489,474**	–
Affiliates of TCL Holdings	(a)	**453,969**	–
Companies controlled by TCL Technology	(a)	**2,204,564**	2,059,796
Affiliates of TCL Technology	(a)	**30,734**	499,932
Joint ventures	(a)	**278**	–
Associates	(a)	**16,791**	16,043
Other related parties	(a)	**3,721**	–
A substantial shareholder of the Company	(a)	**–**	1,332
		3,199,531	2,577,103
		9,396,398	9,801,922

Note:

(a) As at 31 December 2019 and 2018, the amounts were interest-free, unsecured and repayable within one year.

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

	2019	2018
	HK$'000	*HK$'000*
Current to 90 days	**8,885,987**	6,622,392
91 to 180 days	**217,802**	2,789,680
181 to 365 days	**79,237**	287,580
Over 365 days	**213,372**	102,270
	9,396,398	9,801,922

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

12. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2019	2018
	HK$'000	*HK$'000*
Current		
Bank loans – unsecured	**1,486,171**	610,864
Trust receipt loans – unsecured	**142,349**	483,123
Other loans	**20,092**	–
	1,648,612	1,093,987
Non-current		
Bank loans – unsecured	**89,286**	–
Other loans	**–**	20,540
	1,737,898	1,114,527
Analysed into:		
Bank and other loans repayable:		
Within one year or on demand	**1,648,612**	1,093,987
In the second year	**669**	20,540
In the third to fifth years	**88,617**	–
	1,737,898	1,114,527

Notes:

(a) As at 31 December 2019 and 2018, the carrying amounts of the Group's bank and other borrowings were approximated to their fair values.

(b) TCL Holdings together with TCL Technology have guaranteed certain of the Group's bank loan up to HK$311,473,000 (2018: Nil) and TCL Technology has individually guaranteed certain of the Group's bank loans up to HK$399,207,000 (2018: HK$20,540,000) as at the end of the reporting period.

13. SHARE CAPITAL

	2019	2018
	HK$'000	*HK$'000*
Authorised:		
3,000,000,000 (2018: 3,000,000,000) shares of HK$1.00 each	**3,000,000**	3,000,000
Issued and fully paid:		
2,363,224,646 (2018: 2,335,493,874) shares of HK$1.00 each	**2,363,225**	2,335,494

During the year, the subscription rights attaching to 253,806, 110,022, 24,035,255, 3,000,260 and 331,429 share options were exercised at the subscription prices of HK$4.4834, HK$4.3860, HK$3.3918, HK$3.7329 and HK$3.5700 per share, respectively, resulting in the issue of an aggregate of 27,730,772 shares of HK$1.00 each for a total cash consideration of HK$95,526,000 before expenses.

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 2019

In 2019, the Group proactively promoted intelligentisation, globalisation, research and development ("R&D") innovation, and "AI x IoT" strategic transformation. Taking the advantage of its leading position in the industry, the Group also focused on developing smart TV, Internet services, smart home and commercial display systems based on household and commercial scenarios. The Group will continuously increase its investment in R&D to develop advanced display technologies such as Quantum Dot ("QD"), Mini LED and 8K, so as to further enhance its product competitiveness while strengthening and improving its existing TV business. At the same time, in order to become a fast-growing intelligent technology enterprise with constant revenue generated from user operation, the Group endeavours to develop its business in the field of IoT through a household TV-centered IoT ecosystem. In 2019, the business of the Group scaled up steadily with a breakthrough growth in annual operating results and the Company's competitive edge in the industry was further enhanced.

Global Business Scale Continued to Expand and Sales Volume Continued to Rank Second in the Global TV Market

In 2019, the Group's global TV sales continued to increase and sales volume achieved its annual target of 32.00 million sets, up by 11.9% year-on-year, representing a market share of 13.0% in shipment which continued to rank second in the global TV market (data source: Sigmaintell). Among other things, the sales volume of TCL brand TV increased by 16.5% year-on-year to 20.64 million sets, with its market share ranking third in the global TV market (data source: IHS), further showing the global competitive advantage of TCL brand. There was also an obvious trend that TCL brand TV being recognised as high-end products, compared to that in the preceding year, the sales volume of super-large TVs of over 65 inches doubled and the sales volume of QD TV increased by 66.4% year-on-year.

Profitability Continued to be Improved, Proposed Final Dividend HK10.60 Cents Per Share

As of 31 December 2019, on a year-on-year basis, the Group's turnover hit a new record high of HK$46.99 billion, up by 3.1%. The annual gross profit increased year-on-year by 17.5% to HK$8.17 billion. As a result of product mix optimisation, annual gross profit margin increased by 2.1 percentage points to 17.4% compared to the same period last year and the annual expense ratio was 13.8%. The Group's net profit after tax in 2019 was HK$2.33 billion, increasing by 125.5% year-on-year. Profit attributable to owners of the parent was HK$2.28 billion, representing a steep increase of 141.4% when compared with that of 2018 before restatement. Due to the finalisation of the fair value assessment on the transactions of acquisition of equity interest in associates in 2018 of this year, profit attributable to owners of the parent in 2018 increased to HK$1.04 billion, and as such profit attributable to owners of the parent showed an increase of 118.9% over that of the preceding year after restatement. Profit attributable to owners of the parent after deducting one-time non-operating item was HK$1.07 billion, up by 35.0% year-on-year. Basic earnings per share was HK100.06 cents and basic earnings per share after deducting one-time non-operating gain was HK46.77 cents. The Board proposed, subject to shareholders' approval, a final dividend of HK10.60 cents per share for the year ended 31 December 2019. The full year dividend was HK21.16 cents per share, representing a dividend payout ratio of 45% based on profit attributable to owners of the parent after deducting one-time non-operating gain.

Highly Integrated Industrial Chain Improved Operation Efficiency and Facilitated Business Expansion

Through synergy of panel and full-set business between the Group and TCL China Star Optoelectronics Technology Co., Ltd.* (TCL華星光電技術有限公司) ("CSOT", formerly known as Shenzhen China Star Optoelectronics Technology Co., Ltd.* (深圳市華星光電技術有限公司) and a subsidiary of TCL Technology), mutual benefits of improved operation efficiency and expansion of global business were achieved. In respect of products, benefiting from synergetic R&D advantages on both sides, the Group took the lead in mass production and launching of 8K high-end products for households, demonstrating its outstanding capability of product innovation in the industry. In respect of leading display technologies, the Group cooperated with CSOT to develop latest display technologies such as Vidrian Mini LED, Mini LED and inkjet printing OLED. In respect of vertical integration of industrial chain, the Group established the Intelligent Manufacturing Industrial Park in Tonghu in the mainland China and India together with CSOT to realise integration of module and full set production, which further improved production efficiency. Meanwhile, in order to improve its operation efficiency, the Group efficiently adjusted its inventory level by synchronising upstream supplies and downstream demands. In respect of market expansion, the Group developed highly potential markets such as USA and India by accurate prediction of domestic and overseas market demands and taking advantage of the synergy of upstream and downstream integration.

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

TV sales volume	**2019** *('000 sets)*	2018 *('000 sets)*	**Change**
Total	**31,997**	28,606	+11.9%
– TCL brand TV in overseas markets	**13,463**	10,680	+26.1%
– TCL brand TV in the PRC market	**7,179**	7,034	+2.1%
– ODM business	**11,355**	10,892	+4.3%
Among which: TCL brand smart TVs	**17,614**	14,779	+19.2%
TCL brand 4K TVs	**10,538**	8,033	+31.2%

	Accumulated number as of 31 December 2019	**2019**	2018	**Change**
Number of global accumulative activated users (1)	42,338,651	**10,431,231**	8,370,898	+24.6%
Average daily number of global active users (2) (3)	N/A	**20,793,359**	15,282,347	+36.1%

Notes:

(1) The number of users who used Internet TV web services once or more

(2) The number of unrepeated individual users who used Internet TV services within seven days

(3) Data as of December 2019

PRODUCTS BUSINESS

– TCL Brand Business in Overseas Markets

Leading Competitive Advantage in Overseas Markets, Excellent Growth in Both Sales and Profit

The Group has 20 years of experience in overseas markets, during which the Group has always been following its globalised brand strategy through accelerating business layout in key overseas markets, improving product competitiveness, and optimising product mix and sales channels. In 2019, the sales volume of the TCL brand TV in several foreign regions maintained a strong growth and the Group's market share increased continuously:

- North American markets continued to consolidate its leading position with sales volume rising by 14.3% year-on-year. According to NPD, in 2019, TCL's annual sales volume ranked second in the U.S. market and in July the rank was No.1 (data source: The NPD Group, Inc., US Retail Tracking Service, LCD TV, based on unit sales, Jan-Dec 2019 combined and Jul 2019);

- Emerging markets maintained a strong growth momentum, with an increase in sales volume of 40.8% year-on-year. Especially in the fourth quarter of 2019, the sales volume increased by 56.5% year-on-year. In fast-growing markets such as India, Argentina, Australia and Russia, year-on-year increases in sales volume of 151%, 121%, 79% and 46% respectively were shown. In 2019, the Group's market share in terms of sales volume ranked second in the Philippines, Myanmar and Saudi Arabia, third in Australia and Pakistan, fourth in Vietnam, Thailand and United Arab Emirates, and fifth in India (data source: GfK); and

- In 2019, the year-on-year growth rate in terms of sales volume was 35.0% in the European markets, with the year-on-year growth rate in terms of sales volume reaching 54.5% in the fourth quarter. Among those markets, Spanish, the United Kingdom, Italian, French, and German markets recorded the most remarkable growth rates, reaching 264%, 262%, 203%, 126% and 82% respectively. In 2019, the market share in terms of sales volume of the Group ranked third in France (data source: GfK).

Significant Increase in Both Sales Volume and Turnover: With its persistent efforts to expand and penetrate key overseas markets, the sales volume of TCL brand TV in overseas markets recorded a growth of 26.1% year-on-year, reaching 13.46 million sets in 2019. The turnover of TCL brand TV in overseas markets increased by 14.1% year-on-year to HK$21.00 billion.

Continuous Increase in Gross Profit Margin: Benefiting from optimised product mix and economies of scale, the gross profit margin of the Group's TCL brand TV in overseas markets rose by 0.8 percentage point to 15.5% over the corresponding period of the preceding year.

- The proportion of smart TV sales volume increased from 84.4% in 2018 to 86.6% in 2019;
- The proportion of 4K TV sales volume increased from 39.6% in 2018 to 46.3% in 2019;
- The sales volume of big screen TVs of over 55 inches increased by 35.4% compared to 2018;
- The sales volume of super big screen TVs of over 65 inches increased by over 100% compared to 2018; and
- The average screen size of TVs sold increased from 42.2 inches in 2018 to 43.1 inches in 2019.

Outstanding Operating Results: With the benefits of continuous optimised product mix, economies of scale, and the synergy of vertically integrated industrial chain, the operating results of the Group's TCL brand TV in overseas markets rose significantly by 42.3% to HK$0.88 billion, showing remarkable increase in profitability.

Accelerated Global Capacity Layout and Mitigated Potential Risks

Deepening its global production capacity layout and searching for new growth opportunities, besides China, the Group has also established factories in Mexico, Vietnam, Poland, India and South America. In particular, the Group jointly established TCL India Intelligent Manufacturing Industrial Park with CSOT, of which an annual production capacity of 6 million TV sets is expected upon completion. Besides, the Group's total overseas production capacity exceeds 15 million TV sets per year, which is sufficient to meet its shipment demand in the North American markets and can effectively mitigate potential risks. At the same time, the Group further implemented cost reduction and improved operation efficiency to support the rapid development of its overseas business.

– TCL Brand Business in the PRC Market

Annual Sales Volume Increased against Downward Trend with Risen Gross Profit Margin

Increase in Annual Sales Volume against Industry Downward Trend: Adhering to its premium products strategy and continuously optimising its product mix and sales channels, the Group maintained sales growth momentum in TCL brand TVs in the PRC market regardless of the downward trend in the industry. CMM's omni-channel data show that the overall TV sales volume of 2019 in the PRC market decreased by 2.6% over last year. In 2019, however, the Group's sales volume of TCL brand TV went up by 2.1% over the preceding year to 7.18 million sets. Turnover decreased to HK$12.99 billion year-on-year due to the decline in panel price and exchange fluctuation.

Constant Increased Proportion of Online Sales: Constant input in online channels increased the online sales proportion of the Group's TCL brand TV in the PRC market by 5.8 percentage points to 43.0%, compared to 37.2% over the same period of the preceding year.

Steady Increase in Gross Profit Margin: As a result of optimised product mix and sales channels, the gross profit margin of TCL brand TV in the PRC market increased by 2.7 percentage points to 24.8% over the corresponding period of last year.

The Group's product mix of TCL brand TV in the PRC market continued to optimise in 2019:

- The proportion of smart TV sales volume increased from 82.0% in 2018 to 82.9% in 2019;
- The proportion of 4K TV sales volume increased from 54.1% in 2018 to 59.9% in 2019;
- The proportion of TV sales volume with big screen of 55-inches or above increased from 43.1% in 2018 to 45.7% in 2019;
- The sales volume of super big screen TVs of over 65 inches increased by 263.5% when compared with 2018;
- The average screen size of TVs sold increased from 47.2 inches in 2018 to 48.1 inches in 2019;
- The market share of curved TVs reached 35.9%, continuing to rank first in the PRC market (data source: CMM's omni-channel data); and
- The Brand Price Index of TCL was 103, ranking second in the PRC market (data source: CMM's omni-channel data).

The fierce competition brought operating results of the Group's TCL brand TV business in the PRC market slightly down in 2019. In 2020, the Group will persist in developing mid-to-high end products via optimising product mix and sales channels, in order to increase its gross profit margin and improve its business performance by increasing operation efficiency and industrial competitiveness.

– ODM Business

In recent years, the Group's ODM business has been developing steadily with its shipment ranking among the top ones in the global market and renowned clients all over the world. In 2019, the shipment of the Company's ODM business ranked third in the global market (data source: DISCIEN).

With the benefit of research-production-sales integration, the Group's ODM business has remarkable R&D and industrial capacity as well as well-established quality control system, which ensure high delivery satisfaction. In addition, with its integrated industrial chain, improved product quality and brand influence, the Group's ODM business is highly recognised by domestic and overseas clients. Moreover, featuring digitalisation, network connection, and intelligentisation, the Group's ODM business achieved high efficiency, low cost and stable production, which further improved operation efficiency.

Based on its solid foundation in manufacturing and efficient supply chain system, the Group increases its capacity utilisation while developing its ODM business in a stable manner. In 2019, the Group had a remarkable development in its ODM business in spite of adverse situations. The annual shipment amounted to 11.36 million TV sets, with a year-on-year increase of 4.3%, and the annual turnover reached HK$10.50 billion.

– Product R&D

In 2019, the Group continued to increase research investment in cutting-edge technologies such as QD, Mini LED, and 8K and launched several mid-to-high end products in order to meet various demands from different users. To offer better and customised experience, the Group kept enhancing its product competitiveness.

In terms of product, as the first company to mass produce Mini LED TV around the world, the Group launched 8K Mini LED X10 smart TV in the PRC market in May 2019. Powered by TCL's AI Visual Engine and Q-Audio Engine, this TV is characterised by 8K+QLED display, Mini LED backlight, Local Dimming smart control, and Dolby vision, which manifest the Group's strong R&D capability. In August 2019, the Group launched the first rotatable large screen smart TV, TCL-XESS smart TV in China, and upgraded the interactions between smart TV and smart phone, which enabled connections to various smart home devices. In November 2019, the Group launched TCL X9 8K QLED TV, the first consumer 8K TV in China. This TV model embodied all-rounded upgrade in hardware, and is equipped with ever-complete 8K solutions, double screens and AI camera. At the same time, the Group showcased a new generation of Mini LED display technology – Vidrian Mini LED technology for the first time in International Consumer Electronics Show ("CES") in early 2020. The high-performance backlight technology arising from the combination of Vidrian Mini LED and 8K LCD panel allows customers to enjoy an immersive experience in different light conditions, realising innovation in TV functions.

The Group's innovative R&D capability is acknowledged in the global industry. 8K Mini LED X10 TV received "Private Theatre Flagship Product Golden Award" by 2019 IFA and International Data Group ("IDG") and TCL X9 8K QLED TV received "8K QLED TV Gold Award 2019-2020" by IDG. The Group's C7 Theatre TV of high visual and audio quality and its young-generation targeted P-series TV were also highly appraised within the industry. Additionally, by carrying Mini LED and QLED, the Q82 series together with QLED R62 series were highly regarded by several professional bodies after its debut in the United States of America. Moreover, the Company was awarded "2019-2020 Top 10 CE Brands", "2019-2020 Global CE Brands Top 50", and "2019-2020 Global TV Brands Top 10" by IDG, which spotlighted the Group's product competitiveness and innovation capability.

APPLICATION SERVICES

– Internet Business

In 2019, the Group accelerated its promotion of the new business model of "Intelligence + Internet", which led to rapid growth in its global Internet business. The Group built a smart TV ecosystem with increasingly enhanced TV-human interaction through deepening mutually beneficial cooperation with its partners across the globe. This unleashed the potential of Internet value-added service in innumerable homes. During the year, the Group gained the first revenue from overseas Internet business. In addition, the profitability of the Internet business platform operated through Falcon Network Technology is continuously enhanced, showing an increase in competitive advantage.

Internet Revenue of the Group Surged by 108.7% to HK$756 Million

In 2019, the Group's Internet business developed rapidly. The Group continued to promote the "1+1+N" strategic cooperation model and deepened strategic cooperation with domestic and overseas partners to build a smart TV ecosystem, thereby continuing to improve its business operation capability. In 2019, the accumulated revenue from Internet business reached HK$756 million, remarkably up by 108.7% year-on-year. For the first time, the revenue from overseas Internet business was included in the Internet revenue of the Group, further enhancing the commercial monetisation of the Group's Internet business. Falcon Network Technology has been consolidated since April 2019 and the consolidated total revenue of Internet business of the Group in 2019 recorded HK$626 million; the operating profit of the Group's Internet business reached HK$317 million, accounting for 19.8% of the Group's overall operating profit.

Sustainable Revenue from Overseas Internet Business Reached HK$210 Million and Profit Margin of the Company Will Be Widen

In 2019, the Group deepened its cooperation with Roku in the U.S. market and with Google in the European and South American markets, and extended global cooperation with Netflix, thereby succeeding in expanding overseas Internet business. In 2019, overseas Internet business contributed sustainable revenue of HK$210 million for the first time, accounting for 27.8% of the total annual revenue of the Internet business of the Group. As a result, the Group has become the first Chinese enterprise in the industry to have relatively large-scale and sustainable overseas Internet business revenue. With the rapid development of the global over-the-top ("OTT") industry and the fast growth in the Group's overseas TV sales volume, it is expected that overseas Internet business will further enhance the Group's overall profitability in the future.

Falcon Network Technology Group Enhanced Profitability and Steady Growth of Internet Users with Annual Net Profit Margin of 32.0%

In 2019, Falcon Network Technology, the Internet business operating platform of the Group that is mainly active in the PRC market and some overseas emerging markets, continued to enrich platform content, strengthen user operations and improve user experience. During the year, Falcon Network Technology also bolstered cooperation in Internet ecology and continued to deepen the "1+1+N" strategic cooperation with Tencent, South New Media and other partners and integrate more content resources so as to provide high-quality content and services to users. By introducing auto-payment membership, the penetration rate of Falcon Network Technology's membership has increased significantly and its business has demonstrated vigorous momentum. In addition, in overseas markets, Falcon Network Technology has successfully launched TCL Channel in Vietnam, India, Japan, Brazil and Russia in 2019, providing rich local content and resources for overseas users.

In 2019, the revenue of Falcon Network Technology Group reached HK$546 million, increasing remarkably by 50.7% year-on-year, among which revenue from video-on-demand and membership increased by 43.0%, revenue from advertising business grew by 34.1%, and revenue from value-added business rose by 107.4%. average revenue per user ("ARPU") reached HK$34.9. The annual net profit reached HK$175 million, significantly up by 137.8% and the net profit margin was as high as 32.0%, which was 11.7 percentage points higher than that in the preceding year. The profitability of Falcon Network Technology Group has increased notably, further enhancing the Group's profitability.

In terms of user operations, the Group has been improving TCL membership system as well as refining the operation of content so as to enhance user loyalty. In 2019, the average daily time spent on TV per user steadily grew to 5.7 hours. As of 31 December 2019, the Group's total number of global activated users increased by 32.7% year-on-year, exceeding 40 million and reaching 42.34 million. In December 2019, the average number of global daily active users of the Group's Internet business worldwide reached 20.79 million, up by 36.1% year-on-year. User base of Internet TV business continued to grow considerably.

– AI x IoT Business

In 2019, the Group continued to adopt "AI x IoT" strategy and focused on the development of smart TV, Internet service, smart home and commercial system. By vigorously exploring the field of intelligent IoT and building a comprehensive smart TV ecosystem, the Group is devoted to developing TV as the IoT centre of future households.

Regarding Artificial Intelligence ("AI"), the Group has established a joint AI design centre with TCL Corporate Research to accelerate the application of AI technology to products. The Group took the lead in establishing an open AI technological framework in the TV industry, which can connect to various businesses. In 2019, the Group launched its self-developed open integration control platform which enables autonomous control based on users' intention, thereby enriching user experience and at the same time cultivating user habit to use large-screen TVs as Internet devices. The new generation smart engine has been adopted in smart products, which has expanded the application from TV, film, music, and encyclopedia to daily services. It also added more diversified functions, such as navigation, searching for popular tourist attractions, gourmet recommendations and ticketing service, on top of existing multi-turn dialogue, celebrity identification and natural language interaction functions. Besides, the new AI scenario and facial recognition functions based on the latest AI technology enables intelligent adjustment of display effects based on the scenarios. Meanwhile, it can also provide smart and customised services to users via automatically recommending content that users are interested in. In the future, the Group will further enrich AI services and content to enhance AI scenario experience and application service abilities.

In terms of Internet of Things ("IoT") technology, the IoT ecosystem with smart home at its core experienced further expansion in service and system. The self-developed cloud platform of the Group enabled TV-centered control over smart devices of different categories and stable connection with a wider range and larger number of IoT products. The Company greatly broadened the scope of the ecosystem via connection with the cloud platform and has realized cloud connection with Huawei and JD.com, thereby expanding connection with products of different brands. Moreover, the standardised IoT module developed by the Company is applicable to products of all categories, which will accelerate intelligentisation of products.

In terms of overseas markets, the Group proactively expanded the application of AI technology by integrating with the ecology of Google and Amazon for smart connection of various contents and scenarios, and provided consumers with a simple and personalised life experience using TV as a large screen smart speaker for families. The Group also builds in far-field voice module in various overseas product series and is the first Chinese company to use far-field voice technology on overseas Android TV platform. In addition, with rich R&D experience and effective execution, the Group has taken the lead in meeting with the digital and network authentication and technology requirements in major countries and markets, thereby quickly driving the Group's globalisation and product competitiveness in the local markets. In 2019, the Group has become the first Chinese TV brand to sell smart TV products with self-developed built-in digital middleware and software system in Japan. The Group's self-developed TV middleware system then realised global coverage of digital technology and its leading technology in the overseas market grew more prominently.

OUTLOOK

Adhering to the strategic orientation of "Reform and Make breakthroughs, Quality and Efficiency First for Global Leadership", the Group will continue to consolidate its leading position in the global layout, leverage on the advantages in vertical integration of industrial chain, and deepen the implementation of intelligentisation and globalisation in 2020. The Group will also build a smart home ecosystem featuring "AI x IoT", improve the profitability of the Internet business and propel digital transformation in order to expand new profit growth opportunities and create greater value for shareholders of the Company.

I. Leveraging on the Advantages in Vertical Integration of Industrial Chain to Improve Product Competitiveness

The Group will continue to focus on TCL brand TV business and adhere to the philosophy of taking technological innovation and product leadership as its core. The Group is committed to providing users with even more remarkably realistic watching experience. Looking forward, the Group will fully leverage on its advantages in the synergy of the vertically integrated industrial chain to continuously develop industry-leading high-end display technologies such as QD, Mini LED and 8K to accelerate the launch of mid-to-high end products with the support of CSOT's advanced panel production line. At the same time, the Group will further strengthen the synergy among product technology, industrial chain, brand promotion and international business. With the advantages of its comprehensive global network and sales channel as well as its competitiveness in the overseas markets, the Group is dedicated to building TCL into a world-leading brand of consumer and household electronics.

II. Expanding First-mover Advantage in Overseas Markets, Consolidating Global Strategic Layout

The Group will continue to enhance the business competitiveness in the PRC market and promote global operation strategy in a steady and fast manner to grasp the opportunities in the changing global economic landscape. The Group will utilise its first-mover advantage in globalisation to strengthen its competitiveness in regions such as North America, Europe and Southeast Asia, and accelerate exploration of emerging markets such as Russia and India and endeavour to become the leaders of more markets, with a view to further increase the Group's global market share and brand power. Moreover, the Group will simultaneously improve its global supply chain layout to form a global industrial system with greater flexibility and reasonable geographic distribution.

III. Accelerating the Development of Global Internet Business, Strengthening Operational Capability and Serving Global Users

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

IV. Pursuing Higher Quality and Efficiency, Improving Corporate Operation Efficiency

The Group will improve its overall corporate operation and management quality, establish a global R&D system and management structure, and prioritise strategic planning and implementation. By building close connections with users and markets, the Group seeks all-rounded improvement in aspects such as product competitiveness, quality of service, managing, assets and talents. The Group will also innovate business models to adapt to changes in market environment and keep abreast of latest product technology. Despite its rapid development, the Group will also pay attention to its operational and financial risks to ensure the healthy and sustainable development of the Group.

V. Boosting R&D Innovation, Advancing "AI x IoT" Strategy

On the basis of consolidating and improving its existing TV business, the Group will further expand into new business fields including smart home and commercial display to enhance its overall profitability. As the development of 5G technology continued to accelerate, smart home has entered a phase of rapid growth. The Group, driven by customer demand, will enhance capability of building "AI x IoT" and endeavour to expand smart home market. Driven by the leading "AI x IoT" strategic layout, products in the new era will be featured with integrating hardware, software and IoT into various scenarios, effectively combining users' need, functions of IoT devices and AI capability to create rich scenarios that will grow exponentially, propelling the transformation of the Company into a global leading smart technology company.

FINANCIAL REVIEW

Significant Investments, Acquisitions and Disposals

On 23 January 2019, TCL King Electrical Appliances (Huizhou) Company Limited* (TCL王牌電器(惠州)有限公司) ("TCL King Electrical", a subsidiary of the Company) and Shenzhen Qianhai Fende Industries Investment Company Limited* (深圳市前海芬德實業投資有限公司) ("Qianhai Fende", a limited liability company established in the PRC) entered into a sale & purchase agreement, pursuant to which Qianhai Fende agreed to sell and TCL King Electrical agreed to acquire approximately 15.56% of the total equity interest of Falcon Network Technology at the consideration of RMB420.12 million (equivalent to approximately HK$489.78 million). The aforesaid transaction has been completed on 22 March 2019. Immediately after such completion, the Group held in aggregate of approximately 60.00% of the total equity interest of Falcon Network Technology. For details, please refer to the Company's announcement dated 23 January 2019.

On 23 July 2019 (after trading hours), Falcon Network Technology entered into an exclusive business co-operation agreement, an exclusive purchase right agreement, an equity pledge agreement, authorisation letters, confirmation letters and spousal consent letters (collectively the "VIE Agreements") with Falcon Digital Entertainment Technology (Shenzhen) Limited (formerly known as Hawk Digital Entertainment Technology (Shenzhen) Co., Ltd)* (深圳市雷鳥數字娛樂科技有限公司(前稱豪客數字娛樂科技(深圳)有限公司)) (the "OPCO") and/or Mr. WANG Hao and Ms. ZHU Xiaojiang and/or their spouses. Through the VIE Agreements, Falcon Network Technology would have effective control over the finance and operation of the OPCO and will enjoy the entire economic interests and benefits generated by the OPCO. Upon the entering into of the VIE Agreements, the financial results of the OPCO have been consolidated into the consolidated financial statements of the Group and the OPCO will become an indirect non wholly-owned subsidiary of the Company. For details, please refer to the Company's announcement dated 23 July 2019.

On 12 August 2019 (after trading hours), TCL King Electrical Appliances (Chengdu) Company Limited* (TCL王牌電器(成都)有限公司) ("TCL King (Chengdu)", a subsidiary of the Company) entered into a sale and purchase agreement with CSOT, pursuant to which, CSOT has conditionally agreed to acquire and TCL King (Chengdu) (as the seller) has conditionally agreed to sell the 14.00% equity interest in TCL Finance Co., Ltd.* (TCL集團財務有限公司) held by TCL King (Chengdu) at the consideration of approximately RMB255.00 million (equivalent to approximately HK$290.00 million). The aforesaid transaction has been completed as at the date of this announcement. For details, please refer to the Company's announcement dated 12 August 2019.

On 1 November 2019, TCL Electronics (Huizhou) Co., Ltd.* (TCL電子(惠州)有限公司), ("TCL Electronics (Huizhou)", a subsidiary of the Company) entered into a sale and purchase agreement with TCL Technology, pursuant to which TCL Technology agreed to sell, and TCL Electronics (Huizhou) agreed to acquire 100% equity interest in Shenzhen Hawk Internet Company Limited* (深圳豪客互聯網有限公司) at the consideration of RMB200.11 million (equivalent to approximately HK$222.32 million). The transaction was completed on 1 November 2019.

On 18 December 2019, TCL Overseas Electronics (Huizhou) Limited* (TCL海外電子(惠州)有限公司) ("TCL Overseas Electronics", a subsidiary of the Company) entered into an equity transfer agreement with an independent third party, pursuant to which TCL Overseas Electronics agreed to sell, and the independent third party agreed to acquire 100% equity interest in Huizhou Moka Electronics Technology Co., Ltd.* (惠州市茂佳電子科技有限公司) at the consideration of RMB273.21 million (equivalent to approximately HK$304.96 million). The transaction was completed on 26 December 2019.

Save as disclosed above, the Group had no other significant investment, acquisition and disposal during the year ended 31 December 2019.

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 2019 amounted to approximately HK$8,194,743,000, of which 0.7% in Hong Kong dollars, 40.6% in US dollars, 52.2% in Renminbi, 1.5% in Euros and 5.0% in other currencies for the overseas operations.

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

As at 31 December 2019, the Group's gearing ratio was 0% since the Group's cash and bank balances of approximately HK$8,194,743,000 were higher than the total interest-bearing borrowings of approximately HK$1,737,898,000. Gearing ratio was calculated by net borrowings (i.e. total interest-bearing bank and other borrowings, less cash and bank balances and restricted cash), divided by equity attributable to owners of the parent. The maturity profile of the borrowings ranged from on demand to within five years.

Pledge of Assets

As at 31 December 2019 and 2018, no asset of the Group was pledged.

Capital Commitments and Contingent Liabilities

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

	2019	2018
	HK$'000	*HK$'000*
Contracted, but not provided for	**139,356**	516,729
Authorised, but not contracted for	**247,115**	255,202
	386,471	771,931

As at 31 December 2019, 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 2019.

Foreign Exchange Exposure

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

It is the Group's policy to 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 2019, the Group had a total of 28,374 dynamic and talented employees. They were all dedicated to advancing the quality and reliability of our operations. The remuneration policy of the Group was reviewed regularly, making reference to current legislation, market condition and both the performance of individual and the Group. In order to align the interests of staff with those of shareholders of the Company, share options were granted to relevant grantees, including employees of the Group, under the Company's share option scheme. Share options carrying rights to subscribe for a total number of 184,451,754 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, 13 June 2016, 24 November 2017 and 4 May 2018 respectively. Pursuant to the Award Scheme, existing shares of the Company may be purchased from the market or new shares may be subscribed for by the designated trustee out of cash contributed by the Company, and would be held on trust by the designated trustee for the relevant selected persons until such shares are vested with the relevant selected persons in accordance with the rules of the Award Scheme.

PURCHASES, SALE OR REDEMPTION OF SHARES

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the shares of the Company for the year ended 31 December 2019.

EVENTS AFTER THE REPORTING PERIOD

The overall global market has been undergoing great uncertainty since the coronavirus disease 2019 (COVID-19) outbreak in the early 2020. It is expected that TV demand in the short term will probably be impacted. In the PRC market, offline sales of the TV industry recorded significant decline in the first quarter. In this regard, the Group has been proactively exploring new marketing model and optimising its channel structure. Since the pandemic situation has taken a turn for the better in China as of the date of this announcement, it is expected that the Group's TV sales in the PRC market will recover gradually to the level before the pandemic. In the overseas markets, as a result of the pandemic outbreak in overseas in the middle of March 2020, various countries announced border closure and international sport events were cancelled or delayed, which consequentially obstructed the sales in offline channels and the recovery time will largely depend on the control of the pandemic. In this regard, the Group has been paying close attention to the development of pandemic and will adjust its strategy of marketing and supply chain promptly in order to minimise the potential impact on the Group's full year TV sales in overseas markets. In terms of the Internet business, in view of the various precautionary measures including restriction of outdoor activities against the pandemic, consumers tend to use TV more often as a device for receiving information, home entertainment and online study, which may further cultivate users' habit for using TV as a smart device of household consumption. As of the end of February 2020, the number of existing subscribers grew by 139.0% year-on-year. Under such circumstances, it is expected that the monetisation ability of the Company's Internet business could be further enhanced.

FINAL DIVIDEND

The Board has proposed a final dividend for the year ended 31 December 2019, of HK10.60 cents (2018: HK9.38 cents) in cash per share. Subject to approval at the forthcoming AGM on 2 June 2020, Tuesday, the said final dividend will be payable on or about 17 July 2020, Friday to shareholders whose names appear on the register of members of the Company on 8 June 2020, Monday.

RECORD DATE AND CLOSURE OF REGISTER OF MEMBERS

To ascertain the entitlements to attend and vote at the AGM, members of the Company must lodge the relevant transfer document(s) and share certificate(s) at the Hong Kong branch share registrar of the Company, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on 27 May 2020, Wednesday for registration. Members of the Company whose names are recorded in the register of members of the Company on 27 May 2020, Wednesday are entitled to attend and vote at the AGM.

The record date for determining the entitlements of the Shareholders to the proposed final dividend is 8 June 2020, Monday. In order to qualify for the proposed final dividend, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:30 p.m. on 8 June 2020, Monday. The Hong Kong register of members of the Company will be closed from 9 June 2020, Tuesday, to 10 June 2020, Wednesday (both dates inclusive), during which no transfer of the Shares may be registered.

AGM

The AGM of the Company will be held on 2 June 2020, Tuesday. The notice of AGM will be published on the websites of the Company and 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 its risk management and internal control system. The management 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 their 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 2019, complied with the code provisions (the "Code Provisions") set out in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to Listing Rules, except for the deviations from Code Provisions D.1.4, E.1.2 and F.1.1.

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

The Company has no formal letters of appointment for Mr. Albert Thomas DA ROSA, Junior, being a non-executive Director, and Mr. HUANG Xubin, being a then non-executive Director (who subsequently resigned from such position with effect from 10 January 2019), and Mr. Robert Maarten WESTERHOF and Dr. TSENG Shieng-chang Carter, both being independent non-executive Directors, as all of them have been serving as Directors for a considerable period of time, and as such a clear understanding of the terms and conditions of their appointment already exists between the Company and the Directors, therefore there is no written record of the same. In any event, all Directors, including those without a letter of appointment and those appointed for a specific term, shall be subject to retirement by rotation in the manner prescribed under the articles of association of the Company and on re-election of the retiring Directors, where shareholders are given information that is reasonably necessary for them to make an informed decision on the reappointment of the relevant Directors.

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

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

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

The company secretary of the Company, Ms. CHOY Fung Yee ("Ms. CHOY"), being a practising solicitor in Hong Kong and a partner of the Company's legal advisor, Messrs. Cheung Tong & Rosa Solicitors, is not an employee of the Company. From 1 January 2019 to 18 March 2019, the Company has assigned Mr. WANG Yi Michael, the then executive Director and chief financial officer of the Company (who subsequently resigned as an executive Director with effect from 28 February 2020 and as the chief financial officer of the Company with effect from 21 February 2019), as the contact person with Ms. CHOY, and with effect from 18 March 2019 onwards, Mr. HU Lihua (appointed as an executive Director with effect from 28 February 2020), the current executive Director and chief financial officer of the Company, replaced Mr. WANG Yi Michael, as the assigned contact person with Ms. CHOY. Information in relation to the performance, financial position and other major developments and affairs of the Group (including but not limited to the management monthly report to the Board) are speedily delivered to Ms. CHOY through the contact person assigned. Given the long-term relationship between Ms. CHOY and the Group, Ms. CHOY is very familiar with the operations of the Group and has an in-depth knowledge of the management of the Group. Having in place a mechanism that Ms. CHOY will get hold of the Group's development promptly without material delay and with her expertise and experience, the Board is confident that having Ms. CHOY as the company secretary is beneficial to the Group's compliance with the relevant board procedures, applicable laws, rules and regulations.

SCOPE OF WORK OF THE COMPANY'S AUDITOR ERNST & YOUNG ("EY")

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2019 as set out in the announcement have been agreed by EY to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by EY in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by EY on the announcement.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's unaudited financial statements for the year ended 31 December 2019, including the accounting principles adopted by the Group, with the Company's management. As at the date of this announcement, the Audit Committee comprises three members, namely Mr. LAU Siu Ki (being the chairman of the Audit Committee), Dr. TSENG Shieng-chang Carter and Professor WANG Yijiang, all being independent non-executive Directors. Each of Mr. HUANG Xubin and Mr. YANG Anming had been a member of the Audit Committee until Mr. HUANG Xubin's resignation with effect from 10 January 2019 and Mr. YANG Anming's resignation with effect from 28 February 2020 respectively.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

The Company has adopted a model code of conduct regarding securities transactions by Directors of the Company on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"). Specific enquiries have been made with all Directors who have confirmed that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions during the year.

COMPLIANCE WITH DEED OF NON-COMPETITION

The Company has received two confirmations (the "Confirmations") from TCL Technology and T.C.L. Industries (H.K.) (collectively the "Covenantors") signed by them confirming that for the period from 1 January 2019 to 31 December 2019 and up to the date of signing the Confirmations by the relevant Covenantors, they have fully complied with the deed of non-competition executed by the Covenantors in favour of the Group on 15 November 1999 as amended from time to time (the "Deed of Non-Competition").

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

On behalf of the Board
LI Dongsheng
Chairman

Hong Kong, 28 March 2020

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

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