



The image features a large, curved television set as the central focus. Above the TV, four glowing icons are arranged in a semi-circle: a satellite dish, a globe, a film strip, and a musical note. Each icon has a bright light trail that curves downwards towards the top edge of the TV screen. The background is a light blue gradient with subtle light trails and a small 'TCL' logo at the bottom center of the TV frame.

**TCL MULTIMEDIA TECHNOLOGY  
HOLDINGS LIMITED**

**INTERIM REPORT 2017**



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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Mr. LI Dongsheng (Chairman)  
Mr. BO Lianming (CEO)  
Mr. YAN Xiaolin  
Ms. XU Fang

#### Non-Executive Directors

Mr. Albert Thomas DA ROSA, Junior  
Mr. HUANG Xubin  
Mr. Winston Shao-min CHENG (resigned as a non-executive director with effect from 7 April 2017)  
Mr. Abulikemu ABULIMITI  
Mr. LIU Hong (appointed as a non-executive director with effect from 7 April 2017)

#### Independent Non-Executive Directors

Mr. Robert Maarten WESTERHOF  
Dr. TSENG Shieng-chang Carter  
Professor SO Wai Man Raymond  
Professor Wang Yijiang

### COMPANY SECRETARY

Ms. CHOY Fung Yee, Solicitor, Hong Kong

### AUDITOR

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

### LEGAL ADVISOR

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

### PRINCIPAL REGISTRAR

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

### BRANCH REGISTRAR

Tricor Tengis Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

### PRINCIPAL OFFICE

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

### REGISTERED OFFICE

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

### INVESTOR AND MEDIA RELATIONS

Cornerstones Communications Ltd.  
Unit 1408-10, 14/F, Dominion Centre  
43-59 Queen's Road East  
Wanchai, Hong Kong

## INTERIM RESULTS

The board of directors (the "Board") of TCL Multimedia Technology Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results and financial position of the Company and its subsidiaries (collectively, the "Group") for the six months and three months ended 30 June 2017 with comparative figures for the previous periods as follows:

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

|                                   | Notes | Six months ended 30 June          |                                 | Three months ended 30 June       |                                 |
|-----------------------------------|-------|-----------------------------------|---------------------------------|----------------------------------|---------------------------------|
|                                   |       | 2017<br>(unaudited)<br>HK\$'000   | 2016<br>(unaudited)<br>HK\$'000 | 2017<br>(unaudited)<br>HK\$'000  | 2016<br>(unaudited)<br>HK\$'000 |
| TURNOVER                          | 4     | <b>17,022,807</b>                 | 14,226,635                      | <b>8,543,072</b>                 | 6,869,048                       |
| Cost of sales                     |       | <b>(14,396,670)</b>               | (11,756,603)                    | <b>(7,252,043)</b>               | (5,782,139)                     |
| Gross profit                      |       | <b>2,626,137</b>                  | 2,470,032                       | <b>1,291,029</b>                 | 1,086,909                       |
| Other revenue and gains           |       | <b>188,962</b>                    | 172,699                         | <b>102,084</b>                   | 89,729                          |
| Selling and distribution expenses |       | <b>(1,773,403)</b>                | (1,726,845)                     | <b>(829,557)</b>                 | (795,432)                       |
| Administrative expenses           |       | <b>(567,327)</b>                  | (535,595)                       | <b>(309,041)</b>                 | (240,874)                       |
| Research and development costs    |       | <b>(265,880)</b>                  | (203,727)                       | <b>(150,305)</b>                 | (93,802)                        |
| Other operating expenses          |       | <b>(10,329)</b>                   | –                               | <b>(6,476)</b>                   | –                               |
| Finance costs                     | 5     | <b>198,160</b><br><b>(52,025)</b> | 176,564<br>(46,700)             | <b>97,734</b><br><b>(33,392)</b> | 46,530<br>(18,579)              |
| Share of profits and losses of:   |       |                                   |                                 |                                  |                                 |
| Joint ventures                    |       | <b>(12,446)</b>                   | (20,472)                        | <b>(6,667)</b>                   | (10,690)                        |
| Associates                        |       | <b>47,607</b>                     | 6,502                           | <b>34,372</b>                    | 6,098                           |
| PROFIT BEFORE TAX                 | 6     | <b>181,296</b>                    | 115,894                         | <b>92,047</b>                    | 23,359                          |
| Income tax                        | 7     | <b>(37,418)</b>                   | (28,098)                        | <b>(25,686)</b>                  | (11,663)                        |
| PROFIT FOR THE PERIOD             |       | <b>143,878</b>                    | 87,796                          | <b>66,361</b>                    | 11,696                          |



## INTERIM RESULTS

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

|  | Six months ended 30 June |             | Three months ended 30 June |             |
|--|--------------------------|-------------|----------------------------|-------------|
|  | 2017                     | 2016        | 2017                       | 2016        |
|  | (unaudited)              | (unaudited) | (unaudited)                | (unaudited) |
| Notes  | HK\$'000                 | HK\$'000    | HK\$'000                   | HK\$'000    |
| OTHER COMPREHENSIVE INCOME/(LOSS)  |                          |             |                            |             |
| Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:            |                          |             |                            |             |
| Cash flow hedge:   |                          |             |                            |             |
| Effective portion of changes in fair value of the hedging instruments arising during the period          | <b>(39,075)</b>          | 2,650       | <b>(40,323)</b>            | 30,489      |
| Reclassification adjustments for losses/(gains) included in the consolidated statement of profit or loss | <b>(6,782)</b>           | (5,299)     | <b>16,974</b>              | –           |
|  | <b>(45,857)</b>          | (2,649)     | <b>(23,349)</b>            | 30,489      |
| Exchange differences:  |                          |             |                            |             |
| Translation of foreign operations  | <b>152,347</b>           | (103,004)   | <b>105,858</b>             | (126,836)   |
| Reclassification adjustments for foreign operations disposed of during the period                        | <b>495</b>               | 4,369       | <b>495</b>                 | 4,369       |
| Reclassification adjustments for deemed partial disposal of an associate during the period               | <b>306</b>               | –           | <b>306</b>                 | –           |
|  | <b>153,148</b>           | (98,635)    | <b>106,659</b>             | (122,467)   |
| Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods         | <b>107,291</b>           | (101,284)   | <b>83,310</b>              | (91,978)    |
| Other comprehensive income not to be reclassified to profit or loss in subsequent periods:               |                          |             |                            |             |
| Share of other comprehensive income of an associate  | <b>651</b>               | –           | <b>651</b>                 | –           |

## INTERIM RESULTS

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

|   | Notes | Six months ended 30 June        |                                 | Three months ended 30 June      |                                 |
|---|-------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
|   |       | 2017<br>(unaudited)<br>HK\$'000 | 2016<br>(unaudited)<br>HK\$'000 | 2017<br>(unaudited)<br>HK\$'000 | 2016<br>(unaudited)<br>HK\$'000 |
| OTHER COMPREHENSIVE<br>INCOME/(LOSS) FOR THE PERIOD                               |       | <b>107,942</b>                  | (101,284)                       | <b>83,961</b>                   | (91,978)                        |
| TOTAL COMPREHENSIVE<br>INCOME/(LOSS) FOR THE PERIOD                               |       | <b>251,820</b>                  | (13,488)                        | <b>150,322</b>                  | (80,282)                        |
| Profit/(loss) attributable to:  |       |                                 |                                 |                                 |                                 |
| Owners of the parent  |       | <b>151,062</b>                  | 94,694                          | <b>69,664</b>                   | 20,814                          |
| Non-controlling interests   |       | <b>(7,184)</b>                  | (6,898)                         | <b>(3,303)</b>                  | (9,118)                         |
|   |       | <b>143,878</b>                  | 87,796                          | <b>66,361</b>                   | 11,696                          |
| Total comprehensive income/(loss)<br>attributable to:                             |       |                                 |                                 |                                 |                                 |
| Owners of the parent  |       | <b>256,646</b>                  | (4,482)                         | <b>151,996</b>                  | (68,424)                        |
| Non-controlling interests   |       | <b>(4,826)</b>                  | (9,006)                         | <b>(1,674)</b>                  | (11,858)                        |
|   |       | <b>251,820</b>                  | (13,488)                        | <b>150,322</b>                  | (80,282)                        |
| EARNINGS PER SHARE<br>ATTRIBUTABLE TO ORDINARY<br>EQUITY HOLDERS OF THE<br>PARENT | 9     |                                 |                                 |                                 |                                 |
| Basic   |       | <b>HK9.12 cents</b>             | HK6.54 cents                    |                                 |                                 |
| Diluted   |       | <b>HK8.93 cents</b>             | HK6.25 cents                    |                                 |                                 |



## INTERIM RESULTS

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

|  |       | 30 June<br>2017<br>(unaudited)<br>HK\$'000 | 31 December<br>2016<br>(audited)<br>HK\$'000 |
|--|-------|--|--|
|  | Notes |  |  |
| NON-CURRENT ASSETS                         |       |  |  |
| Property, plant and equipment              |       | 1,824,760                                  | 1,819,152                                    |
| Prepaid land lease payments                |       | 123,204                                    | 121,212                                      |
| Goodwill                                   |       | 134,933                                    | 134,933                                      |
| Other intangible assets                    |       | 194  | 1,094  |
| Investments in joint ventures              |       | 32,236                                     | 36,651                                       |
| Investments in associates                  |       | 714,290                                    | 597,618                                      |
| Available-for-sale investments             |       | 103,855                                    | 100,126                                      |
| Deferred tax assets                        |       | 29,666                                     | 34,729                                       |
| Total non-current assets                   |       | 2,963,138                                  | 2,845,515                                    |
| CURRENT ASSETS                             |       |  |  |
| Inventories                                |       | 4,161,761                                  | 4,349,253                                    |
| Trade receivables                          | 10    | 4,995,971                                  | 5,100,561                                    |
| Bills receivable                           |       | 3,463,736                                  | 2,839,571                                    |
| Other receivables                          |       | 2,081,588                                  | 1,270,859                                    |
| Tax recoverable                            |       | 26,754                                     | 21,270                                       |
| Cash and bank balances                     |       | 2,910,963                                  | 3,882,361                                    |
| Total current assets                       |       | 17,640,773                                 | 17,463,875                                   |
| CURRENT LIABILITIES                        |       |  |  |
| Trade payables                             | 11    | 6,629,835                                  | 7,373,298                                    |
| Bills payable                              |       | 1,682,477                                  | 1,002,284                                    |
| Other payables and accruals                |       | 3,296,821                                  | 3,609,638                                    |
| Interest-bearing bank and other borrowings | 12    | 1,712,242                                  | 1,353,943                                    |
| Tax payable                                |       | 37,998                                     | 61,696                                       |
| Provisions                                 |       | 382,670                                    | 331,800                                      |
| Total current liabilities                  |       | 13,742,043                                 | 13,732,659                                   |
| NET CURRENT ASSETS                         |       | 3,898,730                                  | 3,731,216                                    |
| TOTAL ASSETS LESS CURRENT LIABILITIES      |       | 6,861,868                                  | 6,576,731                                    |



## INTERIM RESULTS

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

|  |              | <b>30 June<br/>2017<br/>(unaudited)<br/>HK\$'000</b> | 31 December<br>2016<br>(audited)<br>HK\$'000 |
|--|--------------|--|--|
|  | <i>Notes</i> |  |  |
| TOTAL ASSETS LESS CURRENT LIABILITIES              |              | <b>6,861,868</b>                                     | 6,576,731                                    |
| NON-CURRENT LIABILITIES                            |              |  |  |
| Interest-bearing bank and other borrowings         | 12           | <b>20,742</b>  | 1,700  |
| Deferred tax liabilities                           |              | <b>16,885</b>  | 18,686                                       |
| Total non-current liabilities                      |              | <b>37,627</b>  | 20,386                                       |
| Net assets   |              | <b>6,824,241</b>                                     | 6,556,345                                    |
| EQUITY   |              |  |  |
| <b>Equity attributable to owners of the parent</b> |              |  |  |
| Issued capital                                     | 13           | <b>1,743,242</b>                                     | 1,736,446                                    |
| Reserves   |              | <b>5,005,728</b>                                     | 4,715,999                                    |
| <b>Non-controlling interests</b>                   |              | <b>6,748,970</b>                                     | 6,452,445                                    |
|  |              | <b>75,271</b>  | 103,900                                      |
| Total equity                                       |              | <b>6,824,241</b>                                     | 6,556,345                                    |



## INTERIM RESULTS

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

|   | Attributable to owners of the parent |  |   |                                      |                                    |                                      |   |   |  |   |                            |  |                                   |
|---|--------------------------------------|--|---|--------------------------------------|------------------------------------|--------------------------------------|---|---|--|---|----------------------------|--|-----------------------------------|
|   | Issued capital (unaudited) HK\$'000  | Share premium account (unaudited) HK\$'000 | Share option reserve (unaudited) HK\$'000 | Capital reserve (unaudited) HK\$'000 | Reserve funds (unaudited) HK\$'000 | Hedging reserve (unaudited) HK\$'000 | Exchange fluctuation reserve (unaudited) HK\$'000 | Shares held for the Award Scheme (unaudited) HK\$'000 | Awarded share reserve (unaudited) HK\$'000 | Accumulated losses (unaudited) HK\$'000 | Total (unaudited) HK\$'000 | Non-controlling interests (unaudited) HK\$'000 | Total equity (unaudited) HK\$'000 |
| At 1 January 2016   | 1,386,361                            | 2,710,269                                  | 66,170                                    | 57,762                               | 885,277                            | 5,299                                | 97,035  | (77,404)  | 72,786                                     | (906,969)                               | 4,296,586                  | 112,144  | 4,408,730                         |
| Profit/(loss) for the period  | -                                    | -  | -   | -                                    | -                                  | -                                    | -   | -   | -  | 94,694                                  | 94,694                     | (6,898)  | 87,796                            |
| Other comprehensive income/(loss) for the period:                                 |                                      |  |   |                                      |                                    |                                      |   |   |  |   |                            |  |                                   |
| Cash flow hedge   | -                                    | -  | -   | -                                    | -                                  | (2,649)                              | -   | -   | -  | -                                       | (2,649)                    | -  | (2,649)                           |
| Exchange differences:   |                                      |  |   |                                      |                                    |                                      |   |   |  |   |                            |  |                                   |
| Translation of foreign operations   | -                                    | -  | -   | -                                    | -                                  | -                                    | (100,896)   | -   | -  | -                                       | (100,896)                  | (2,108)  | (103,004)                         |
| Reclassification adjustments for foreign operations disposed of during the period | -                                    | -  | -   | -                                    | -                                  | -                                    | 4,369   | -   | -  | -                                       | 4,369                      | -  | 4,369                             |
| Total comprehensive income/(loss) for the period                                  | -                                    | -  | -   | -                                    | -                                  | (2,649)                              | (96,527)  | -   | -  | 94,694                                  | (4,482)                    | (9,006)  | (13,488)                          |
| Issue of shares under a subscription agreement                                    | 348,850                              | 1,918,675                                  | -   | -                                    | -                                  | -                                    | -   | -   | -  | -                                       | 2,267,525                  | -  | 2,267,525                         |
| Equity-settled share option arrangements  | -                                    | -  | 55,124                                    | -                                    | -                                  | -                                    | -   | -   | -  | -                                       | 55,124                     | -  | 55,124                            |
| Issue of shares upon exercise of share options                                    | 1,213                                | 4,596                                      | (1,905)                                   | -                                    | -                                  | -                                    | -   | -   | -  | -                                       | 3,904                      | -  | 3,904                             |
| Employee share-based compensation benefits under the Award Scheme                 | -                                    | -  | -   | -                                    | -                                  | -                                    | -   | -   | 29,938                                     | -                                       | 29,938                     | -  | 29,938                            |
| Vesting of shares under the Award Scheme  | -                                    | -  | -   | -                                    | -                                  | -                                    | -   | 6,815   | (11,096)                                   | -                                       | (4,281)                    | -  | (4,281)                           |
| Purchase of shares for the Award Scheme   | -                                    | -  | -   | -                                    | -                                  | -                                    | -   | (120,116)   | -  | -                                       | (120,116)                  | -  | (120,116)                         |
| At 30 June 2016   | 1,736,424                            | 4,633,540                                  | 119,389                                   | 57,762                               | 885,277                            | 2,650                                | 508   | (190,705)   | 91,628                                     | (812,275)                               | 6,524,198                  | 103,138  | 6,627,336                         |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

|  | Attributable to owners of the parent      |  |   |  |  |  |   |  |   |  |   |                                  |  |   |                                      |  |  |  |  |  |  |  |  |  |  |  |  |  |
|--|---|--|---|--|--|--|---|--|---|--|---|----------------------------------|--|---|--------------------------------------|--|--|--|--|--|--|--|--|--|--|--|--|--|
|  | Issued capital<br>(unaudited)<br>HK\$'000 | Share premium account<br>(unaudited)<br>HK\$'000 | Share option reserve<br>(unaudited)<br>HK\$'000 | Capital reserve<br>(unaudited)<br>HK\$'000 | Reserve funds<br>(unaudited)<br>HK\$'000 | Hedging reserve<br>(unaudited)<br>HK\$'000 | Exchange fluctuation reserve<br>(unaudited)<br>HK\$'000 | Other reserve<br>(unaudited)<br>HK\$'000 | Shares held for the Award Scheme<br>(unaudited)<br>HK\$'000 | Awarded share reserve<br>(unaudited)<br>HK\$'000 | Accumulated losses<br>(unaudited)<br>HK\$'000 | Total<br>(unaudited)<br>HK\$'000 | Non-controlling interests<br>(unaudited)<br>HK\$'000 | Total equity<br>(unaudited)<br>HK\$'000 |                                      |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |   |  |   |  |  |  |   |  |   |  |   |                                  |  |   | Attributable to owners of the parent |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |   |  |   |  |  |  |   |  |   |  |   |                                  |  |   |                                      |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |   |  |   |  |  |  |   |  |   |  |   |                                  |  |   |                                      |  |  |  |  |  |  |  |  |  |  |  |  |  |
| At 1 January 2017  | 1,736,446                                 | 4,633,314  | 176,300   | 57,762                                     | 913,945                                  | 23,756                                     | (223,860)   | (6,168)                                  | (218,314)   | 112,137  | (752,873)                                     | 6,452,445                        | 103,900  | 6,556,345                               |                                      |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Profit/(loss) for the period   | -   | -  | -   | -  | -  | -  | -   | -  | -   | -  | 151,062                                       | 151,062                          | (7,184)  | 143,878                                 |                                      |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Other comprehensive income/(loss) for the period:  |   |  |   |  |  |  |   |  |   |  |   |                                  |  |   |                                      |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Cash flow hedge  | -   | -  | -   | -  | -  | (45,857)                                   | -   | -  | -   | -  | -   | (45,857)                         | -  | (45,857)                                |                                      |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Exchange differences:  |   |  |   |  |  |  |   |  |   |  |   |                                  |  |   |                                      |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Translation of foreign operations  | -   | -  | -   | -  | -  | -  | 147,133   | -  | -   | -  | -   | 147,133                          | 5,214  | 152,347                                 |                                      |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Reclassification adjustments for foreign operations disposed of during the period          | -   | -  | -   | -  | -  | -  | 3,351   | -  | -   | -  | -   | 3,351                            | (2,856)  | 495                                     |                                      |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Reclassification adjustments for deemed partial disposal of an associate during the period | -   | -  | -   | -  | -  | -  | 306   | -  | -   | -  | -   | 306                              | -  | 306                                     |                                      |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Share of other comprehensive income of an associate  | -   | -  | -   | -  | -  | -  | -   | 651                                      | -   | -  | -   | 651                              | -  | 651                                     |                                      |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Total comprehensive income/(loss) for the period   | -   | -  | -   | -  | -  | (45,857)                                   | 150,790   | 651                                      | -   | -  | 151,062                                       | 256,646                          | (4,826)  | 251,820                                 |                                      |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Disposal of a subsidiary   | -   | -  | -   | -  | (1,194)                                  | -  | -   | -  | -   | -  | 1,194   | -                                | (22,543)   | (22,543)                                |                                      |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Equity-settled share option arrangements   | -   | -  | 22,010  | -  | -  | -  | -   | -  | -   | -  | -   | 22,010                           | -  | 22,010                                  |                                      |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Issue of shares upon exercise of share options   | 6,736                                     | 25,864   | (10,495)  | -  | -  | -  | -   | -  | -   | -  | -   | 22,165                           | -  | 22,165                                  |                                      |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Share options forfeited during the period  | -   | -  | (3,196)   | -  | -  | -  | -   | -  | -   | -  | 3,196   | -                                | -  | -                                       |                                      |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Employee share-based compensation benefits under the Award Scheme                          | -   | -  | -   | -  | -  | -  | -   | -  | -   | 5,389  | -   | 5,389                            | -  | 5,389                                   |                                      |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Vesting of shares under the Award Scheme   | -   | -  | -   | -  | -  | -  | -   | -  | 6,751   | (16,436)   | -   | (9,685)                          | -  | (9,685)                                 |                                      |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Dividend paid to non-controlling interests   | -   | -  | -   | -  | -  | -  | -   | -  | -   | -  | -   | -                                | (1,260)  | (1,260)                                 |                                      |  |  |  |  |  |  |  |  |  |  |  |  |  |
| At 30 June 2017  | 1,743,242                                 | 4,639,178*                                       | 184,619*  | 57,762*                                    | 912,751*                                 | (22,101)*                                  | (73,070)*   | (5,517)*                                 | (211,563)*  | 101,090*   | (997,421)*                                    | 6,748,970                        | 75,271   | 6,824,241                               |                                      |  |  |  |  |  |  |  |  |  |  |  |  |  |

\* These reserve accounts comprise the consolidated reserves of HK\$5,005,728,000 (31 December 2016: HK\$4,715,999,000) in the consolidated statement of financial position.



## INTERIM RESULTS

### CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

|  | Six months ended 30 June        |                                 |
|--|---------------------------------|---------------------------------|
|  | 2017<br>(unaudited)<br>HK\$'000 | 2016<br>(unaudited)<br>HK\$'000 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                      |                                 |                                 |
| Cash used in operations  | <b>(358,260)</b>                | (566,368)                       |
| Interest paid  | <b>(51,622)</b>                 | (46,277)                        |
| Interest element of finance lease rental payments                | <b>(403)</b>                    | (423)                           |
| Income taxes paid  | <b>(63,849)</b>                 | (113,753)                       |
| <b>Net cash flows used in operating activities</b>               | <b>(474,134)</b>                | (726,821)                       |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                      |                                 |                                 |
| Purchases of items of property, plant and equipment              | <b>(70,395)</b>                 | (37,268)                        |
| Prepayment of land lease payments                                | –                               | (55,821)                        |
| Proceeds from/(cash disposed in) disposal of subsidiaries        | <b>(1,160)</b>                  | 44,460                          |
| Decrease in pledged deposits                                     | –                               | 79,282                          |
| Increase in deposit placed in a non-financial institution        | <b>(842,654)</b>                | –                               |
| Investments in associates  | <b>(64,299)</b>                 | –                               |
| Other investing cash flows, net                                  | <b>28,186</b>                   | 16,783                          |
| <b>Net cash flows from/(used in) investing activities</b>        | <b>(950,322)</b>                | 47,436                          |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                      |                                 |                                 |
| Proceeds from issue of shares under a subscription agreement     | –                               | 2,267,525                       |
| Proceeds from issue of shares upon exercise of share options     | <b>22,165</b>                   | 3,904                           |
| Purchases of shares for the Award Scheme                         | –                               | (120,116)                       |
| New bank and other loans   | <b>3,074,625</b>                | 2,881,697                       |
| Repayment of bank and other loans                                | <b>(2,722,007)</b>              | (3,811,362)                     |
| Decrease in loans from T.C.L. Industries Holdings (H.K.) Limited | –                               | (45,437)                        |
| Other financing cash flows, net                                  | <b>(2,983)</b>                  | (1,814)                         |
| <b>Net cash flows from financing activities</b>                  | <b>371,800</b>                  | 1,174,397                       |
| <b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>      | <b>(1,052,656)</b>              | 495,012                         |
| Cash and cash equivalents at beginning of period                 | <b>3,882,361</b>                | 2,214,927                       |
| Effect of foreign exchange rate changes, net                     | <b>81,258</b>                   | (29,100)                        |
| <b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>                | <b>2,910,963</b>                | 2,680,839                       |
| <b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>         |                                 |                                 |
| Cash and bank balances   | <b>2,910,963</b>                | 2,680,839                       |

Notes:

### 1. BASIS OF PREPARATION

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

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2016.

The accounting policies and the basis of preparation adopted in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those adopted in the Group’s annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance, except for the adoption of the revised HKFRSs as disclosed in note 2 below.

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



## INTERIM RESULTS

### 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current period's unaudited interim condensed consolidated financial statements.

|  |   |
|--|---|
| Amendments to HKAS 7                   | <i>Disclosure Initiative</i>                                    |
| Amendments to HKAS 12                  | <i>Recognition of Deferred Tax Assets for Unrealised Losses</i> |
| Annual Improvements<br>2014-2016 Cycle | Amendments to a number of HKFRSs                                |

The adoption of these revised HKFRSs has had no significant financial effect on these unaudited interim condensed consolidated financial statements and there have been no significant changes to the accounting policies in the unaudited interim condensed consolidated financial statements.

### 3. ISSUED BUT NOT YET EFFECTIVE HKFRSs

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

|  |  |
|--|--|
| Amendments to HKFRS 2                        | <i>Classification and Measurement of Share-based Payment Transactions<sup>1</sup></i>                    |
| Amendments to HKFRS 4                        | <i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts<sup>1</sup></i>               |
| HKFRS 9                                      | <i>Financial Instruments<sup>1</sup></i>   |
| Amendments to HKFRS 10<br>and HKAS 28 (2011) | <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>3</sup></i> |
| HKFRS 15                                     | <i>Revenue from Contracts with Customers<sup>1</sup></i>   |
| Amendments to HKFRS 15                       | <i>Clarification to HKFRS 15 Revenue from Contracts with Customers<sup>1</sup></i>                       |
| HKFRS 16                                     | <i>Leases<sup>2</sup></i>  |
| Amendments to HKAS 40                        | <i>Transfers of Investment Property<sup>1</sup></i>  |
| Annual Improvements<br>2014-2016 Cycle       | Amendments to a number of HKFRSs <sup>4</sup>  |
| HK(IFRIC) - Int 22                           | <i>Foreign Currency Transactions and Advance Consideration<sup>1</sup></i>                               |

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019

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

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2018, with early application permitted

### 3. ISSUED BUT NOT YET EFFECTIVE HKFRSs (continued)

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

### 4. OPERATING SEGMENT INFORMATION

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

- (a) Television segment – manufacture and sale of television sets in:
  - the People's Republic of China ("PRC") market
  - the overseas markets; and
- (b) Others segment – comprises information technology, internet service and other businesses, including manufacture and sale of television related components, sale of white goods, mobile phones and air conditioners.

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



## INTERIM RESULTS

### 4. OPERATING SEGMENT INFORMATION (continued)

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

|                                 | Six months ended 30 June   |             |                                  |             |                 |             |                   |             |
|---------------------------------|----------------------------|-------------|----------------------------------|-------------|-----------------|-------------|-------------------|-------------|
|                                 | Television -<br>PRC market |             | Television -<br>overseas markets |             | Others          |             | Consolidated      |             |
|                                 | 2017                       | 2016        | 2017                             | 2016        | 2017            | 2016        | 2017              | 2016        |
|                                 | (unaudited)                | (unaudited) | (unaudited)                      | (unaudited) | (unaudited)     | (unaudited) | (unaudited)       | (unaudited) |
|                                 | HK\$'000                   | HK\$'000    | HK\$'000                         | HK\$'000    | HK\$'000        | HK\$'000    | HK\$'000          | HK\$'000    |
| Sales to external customers     | <b>8,545,686</b>           | 8,589,482   | <b>8,384,908</b>                 | 5,553,399   | <b>92,213</b>   | 83,754      | <b>17,022,807</b> | 14,226,635  |
| Segment results                 | <b>89,944</b>              | 210,242     | <b>210,917</b>                   | 110,464     | <b>(3,325)</b>  | 13,931      | <b>297,536</b>    | 334,637     |
| Corporate expenses, net         |                            |             |                                  |             |                 |             | <b>(112,894)</b>  | (167,719)   |
| Finance costs                   |                            |             |                                  |             |                 |             | <b>(52,025)</b>   | (46,700)    |
| Interest income                 |                            |             |                                  |             |                 |             | <b>13,518</b>     | 9,646       |
| Share of profits and losses of: |                            |             |                                  |             |                 |             |                   |             |
| Joint ventures                  | -                          | -           | <b>(1,097)</b>                   | 6,034       | <b>(11,349)</b> | (26,506)    | <b>(12,446)</b>   | (20,472)    |
| Associates                      | <b>7,999</b>               | (3,939)     | <b>20,488</b>                    | -           | <b>19,120</b>   | 10,441      | <b>47,607</b>     | 6,502       |
| Profit before tax               |                            |             |                                  |             |                 |             | <b>181,296</b>    | 115,894     |
| Income tax                      |                            |             |                                  |             |                 |             | <b>(37,418)</b>   | (28,098)    |
| Profit for the period           |                            |             |                                  |             |                 |             | <b>143,878</b>    | 87,796      |



## INTERIM RESULTS

### 5. FINANCE COSTS

|  | Six months ended 30 June |                 |
|--|--------------------------|-----------------|
|  | 2017                     | 2016            |
|  | (unaudited)              | (unaudited)     |
|  | <i>HK\$'000</i>          | <i>HK\$'000</i> |
| Interest on:   |                          |                 |
| Bank and other loans                                 | <b>40,931</b>            | 34,392          |
| Loans from T.C.L. Industries Holdings (H.K.) Limited | –                        | 10,678          |
| Loans from an associate                              | <b>77</b>                | 530             |
| Discounting bills receivable from an associate       | <b>10,614</b>            | 677             |
| Finance leases                                       | <b>403</b>               | 423             |
| Total  | <b>52,025</b>            | 46,700          |

### 6. PROFIT BEFORE TAX

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

|  | Six months ended 30 June |                 |
|--|--------------------------|-----------------|
|  | 2017                     | 2016            |
|  | (unaudited)              | (unaudited)     |
|  | <i>HK\$'000</i>          | <i>HK\$'000</i> |
| Depreciation   | <b>111,905</b>           | 119,427         |
| Amortisation of other intangible assets                              | <b>89</b>                | 115             |
| Amortisation of prepaid land lease payments                          | <b>1,440</b>             | 1,918           |
| Employee share-based compensation benefits<br>under the Award Scheme | <b>4,302</b>             | 28,478          |
| Equity-settled share option expense                                  | <b>20,834</b>            | 53,459          |



## INTERIM RESULTS

### 7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (30 June 2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

|                                 | Six months ended 30 June        |                                 |
|---------------------------------|---------------------------------|---------------------------------|
|                                 | 2017<br>(unaudited)<br>HK\$'000 | 2016<br>(unaudited)<br>HK\$'000 |
| Current – Hong Kong             |                                 |                                 |
| Underprovision in prior periods | –                               | 53                              |
| Current – Elsewhere             |                                 |                                 |
| Charge for the period           | <b>32,421</b>                   | 24,554                          |
| Underprovision in prior periods | <b>922</b>                      | 4,566                           |
| Deferred                        | <b>4,075</b>                    | (1,075)                         |
|                                 | <hr/>                           | <hr/>                           |
| Total tax charge for the period | <b>37,418</b>                   | 28,098                          |

### 8. DIVIDENDS

|   | Six months ended 30 June        |                                 |
|---|---------------------------------|---------------------------------|
|   | 2017<br>(unaudited)<br>HK\$'000 | 2016<br>(unaudited)<br>HK\$'000 |
| Interim dividend – HK3.90 cents<br>(30 June 2016: Nil) per ordinary share | <b>67,986</b>                   | –                               |

## INTERIM RESULTS

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

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

|  | Six months ended 30 June |             |
|--|--------------------------|-------------|
|  | 2017                     | 2016        |
|  | (unaudited)              | (unaudited) |
|  | HK\$'000                 | HK\$'000    |

#### Earnings

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

**151,062**                      94,694

|  | Number of shares         |             |
|--|--------------------------|-------------|
|  | Six months ended 30 June |             |
|  | 2017                     | 2016        |
|  | (unaudited)              | (unaudited) |

#### Shares

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

**1,656,046,758**                      1,447,511,680

Effect of dilution – weighted average number of  
ordinary shares:

Share options

**9,499,417**                      30,127,594

Awarded shares

**26,062,447**                      38,458,681

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

**1,691,608,622**                      1,516,097,955



## INTERIM RESULTS

### 10. TRADE RECEIVABLES

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

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

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

|                    | <b>30 June<br/>2017<br/>(unaudited)<br/>HK\$'000</b> | 31 December<br>2016<br>(audited)<br>HK\$'000 |
|--------------------|--|--|
| Current to 90 days | <b>4,043,279</b>                                     | 4,081,419                                    |
| 91 to 180 days     | <b>455,008</b>                                       | 595,245                                      |
| 181 to 365 days    | <b>248,322</b>                                       | 162,186                                      |
| Over 365 days      | <b>249,362</b>                                       | 261,711                                      |
|                    | <b>4,995,971</b>                                     | 5,100,561                                    |

At 31 December 2016, the Group has entered into certain receivables purchase agreements with a financial institution for the factoring of trade receivables due from a customer with an aggregate carrying amount of HK\$167,051,000. None of the related receivables factored to the financial institution were derecognised from the consolidated statement of financial position because, in the opinion of the directors, the Group has not transferred substantially all the risks and rewards of ownership in respect of the related factored trade receivables to the financial institution. Accordingly, the advances from the financial institution of HK\$167,051,000 received by the Group as consideration for the factored trade receivables at 31 December 2016 were recognised as other loans and included in "Interest-bearing bank and other borrowings" (note 12).

**11. TRADE PAYABLES**

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

|                    | <b>30 June<br/>2017<br/>(unaudited)<br/>HK\$'000</b> | 31 December<br>2016<br>(audited)<br>HK\$'000 |
|--------------------|--|--|
| Current to 90 days | <b>5,684,875</b>                                     | 6,974,452                                    |
| 91 to 180 days     | <b>441,072</b>                                       | 199,366                                      |
| 181 to 365 days    | <b>360,964</b>                                       | 44,094                                       |
| Over 365 days      | <b>142,924</b>                                       | 155,386                                      |
|                    | <b>6,629,835</b>                                     | 7,373,298                                    |

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



## INTERIM RESULTS

### 12. INTEREST-BEARING BANK AND OTHER BORROWINGS

|                                 | <b>30 June<br/>2017<br/>(unaudited)<br/>HK\$'000</b> | 31 December<br>2016<br>(audited)<br>HK\$'000 |
|---------------------------------|--|--|
| <b>Current</b>                  |  |  |
| Bank loans – unsecured          | <b>1,470,655</b>                                     | 850,549                                      |
| Trust receipt loans – unsecured | <b>237,678</b>                                       | 332,551                                      |
| Other loans ( <i>Note 10</i> )  | –  | 167,051                                      |
| Finance lease payables          | <b>3,909</b>   | 3,792  |
|                                 | <b>1,712,242</b>                                     | 1,353,943                                    |
| <b>Non-current</b>              |  |  |
| Other loan                      | <b>20,742</b>  | –  |
| Finance lease payables          | –  | 1,700  |
|                                 | <b>20,742</b>  | 1,700  |
|                                 | <b>1,732,984</b>                                     | 1,355,643                                    |
| Analysed into:                  |  |  |
| Bank and other loans repayable: |  |  |
| Within one year or on demand    | <b>1,708,333</b>                                     | 1,350,151                                    |
| In the third year               | <b>20,742</b>  | –  |
|                                 | <b>1,729,075</b>                                     | 1,350,151                                    |
| Finance lease repayable:        |  |  |
| Within one year                 | <b>3,909</b>   | 3,792  |
| In the second year              | –  | 1,700  |
|                                 | <b>3,909</b>   | 5,492  |
|                                 | <b>1,732,984</b>                                     | 1,355,643                                    |

**12. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)**

Notes:

- (a) As at 30 June 2017 and 31 December 2016, the carrying amounts of the Group's bank and other borrowings approximated to their fair values.
- (b) TCL Corporation ("TCL Corporation", the ultimate holding company of the Company) has guaranteed certain of the Group's bank loans up to HK\$967,965,000 (31 December 2016: HK\$100,626,000) as at the end of the reporting period.

**13. SHARE CAPITAL**

|  | <b>30 June<br/>2017<br/>(unaudited)<br/>HK\$'000</b> | 31 December<br>2016<br>(audited)<br>HK\$'000 |
|--|--|--|
| Authorised:  |  |  |
| 2,200,000,000 shares of HK\$1.00 each                                      | <b>2,200,000</b>                                     | 2,200,000                                    |
| Issued and fully paid:   |  |  |
| 1,743,242,049 (31 December 2016: 1,736,446,305)<br>shares of HK\$1.00 each | <b>1,743,242</b>                                     | 1,736,446                                    |

During the six months ended 30 June 2017, the subscription rights attaching to 4,786,288 and 2,009,456 share options were exercised at the subscription prices of HK\$3.17 and HK\$3.48 per share, respectively, resulting in the issue of an aggregate of 6,795,744 shares of HK\$1.00 each for a total cash consideration of HK\$22,165,000 before expenses.



## INTERIM RESULTS

### 14. RELATED PARTY TRANSACTIONS

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

|   | Six months ended 30 June        |                                 |
|---|---------------------------------|---------------------------------|
|   | 2017<br>(unaudited)<br>HK\$'000 | 2016<br>(unaudited)<br>HK\$'000 |
| Joint ventures:   |                                 |                                 |
| Sales of finished goods                                       | <b>129,367</b>                  | 106,587                         |
| After-sale service income                                     | <b>267</b>                      | 268                             |
| Interest income   | <b>216</b>                      | –                               |
| T.C.L. Industries Holdings (H.K.) Limited:                    |                                 |                                 |
| Interest on loans   | –                               | 10,678                          |
| Associates:   |                                 |                                 |
| Interest income   | <b>9,622</b>                    | 7,925                           |
| Interest on loans   | <b>77</b>                       | 530                             |
| Interest on discounting bills receivable                      | <b>10,614</b>                   | 677                             |
| Other finance service fees                                    | <b>85</b>                       | 1,095                           |
| Purchases of raw materials                                    | <b>37,434</b>                   | –                               |
| Sales of finished goods                                       | <b>357,758</b>                  | –                               |
| Companies controlled by TCL Corporation:                      |                                 |                                 |
| Sales of raw materials  | <b>15,143</b>                   | 45,825                          |
| Sales of finished goods                                       | <b>1,473,747</b>                | 1,241,060                       |
| Purchases of raw materials                                    | <b>5,987,106</b>                | 2,743,015                       |
| Purchases of finished goods                                   | <b>16,999</b>                   | 25,392                          |
| Subcontracting fee expense                                    | <b>4,862</b>                    | 745                             |
| Subcontracting income   | –                               | 64                              |
| Rental, maintenance fees and facilities usage fees            | <b>7,521</b>                    | 4,674                           |
| Rental expense and licence fee                                | <b>4,605</b>                    | 389                             |
| Reimbursement of brand advertising costs                      | <b>70,085</b>                   | 161,834                         |
| Logistics service fee expense                                 | –                               | 179,341                         |
| Reimbursement of research and development and rental expenses | <b>18,716</b>                   | 28,754                          |
| After-sale service income                                     | <b>2,336</b>                    | 10,449                          |
| After-sale service fee  | <b>145,293</b>                  | 124,158                         |
| Internet television service income                            | <b>1,804</b>                    | 2,272                           |
| Payment gateway service fee                                   | <b>164</b>                      | 75                              |
| Associates of TCL Corporation:                                |                                 |                                 |
| Purchases of raw materials                                    | <b>178,300</b>                  | 495,681                         |
| Sales of finished goods                                       | <b>472</b>                      | –                               |
| Sales of raw materials  | <b>110</b>                      | 353                             |
| Logistics service fee expense                                 | <b>183,502</b>                  | –                               |
| Rental income   | <b>723</b>                      | 14                              |
| Service fee expense   | <b>18,153</b>                   | 29,048                          |
| Content income  | –                               | 743                             |
| A substantial shareholder:                                    |                                 |                                 |
| Sales of finished goods                                       | <b>493,677</b>                  | 214,509                         |
| Purchases of raw materials                                    | <b>149,317</b>                  | 106,362                         |



**14. RELATED PARTY TRANSACTIONS (continued)**

(b) Outstanding balances with related parties

|                                    | Due from related parties                   |  | Due to related parties                     |  |
|------------------------------------|--|--|--|--|
|                                    | 30 June<br>2017<br>(unaudited)<br>HK\$'000 | 31 December<br>2016<br>(audited)<br>HK\$'000 | 30 June<br>2017<br>(unaudited)<br>HK\$'000 | 31 December<br>2016<br>(audited)<br>HK\$'000 |
| Joint ventures                     | <b>63,840</b>                              | 71,930                                       | <b>25</b>                                  | –  |
| Associates                         | <b>183,020</b>                             | 75,591                                       | <b>3,675</b>                               | 16,258                                       |
| TCL Corporation and its affiliates | <b>2,213,097</b>                           | 1,008,657                                    | <b>2,714,077</b>                           | 2,730,346                                    |
| A substantial shareholder          | –  | 372,488                                      | <b>53,338</b>                              | –  |

**15. EVENT AFTER THE REPORTING PERIOD**

On 2 July 2017, the Group, Shenzhen Thunderbird Network Technology Company Limited\* (深圳市雷鳥網絡科技有限公司, "Thunderbird Technology"), an indirect non-wholly owned subsidiary of the Group, other shareholders of Thunderbird Technology and Tencent Digital (Shenzhen) Company Limited\* (騰訊數碼(深圳)有限公司, "Tencent Digital") entered into a capital increase agreement, pursuant to which, Tencent Digital and the Group agreed to make capital contribution of RMB450 million and RMB30 million respectively to Thunderbird Technology. Upon the completion of the capital increase, the Group's interest in Thunderbird Technology will be reduced from 54.05% to 45.55% and Thunderbird Technology will cease to be a subsidiary of the Group. The transaction was not yet completed as at the date of approval of these condensed consolidated financial statements. Further details of this transaction are set out in the Company's announcement dated 2 July 2017.

**16. COMPARATIVE AMOUNTS**

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

**17. APPROVAL OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

The unaudited interim condensed consolidated financial statements were approved and authorised for issue by the Board on 27 July 2017.

\* for identification purpose only



## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW FOR THE SIX MONTHS ENDED 30 JUNE 2017

The significant increase in the consolidated profit for the six months ended 30 June 2017 of the Group comparing with the same period in 2016 was mainly attributable to: (1) the great extent of increase in sales revenue and LCD TV sales volume of 19.7% and 12.2%, respectively; (2) the improvement of product structure; and (3) the control of selling and distribution expenses and administrative expenses leading to a reduction of expense ratio from 15.9% in the corresponding period of last year to 13.8%.

In the first half of 2017, TV demand in the PRC market slowed down, sales volume in the PRC TV market decreased by 10.8% year-on-year according to CMM's report, leading to intensified market competition. As a result of the decreasing demand in the overall market, the Group's LCD TV sales volume in the PRC market in the first half of the year dropped by 9.7% year-on-year, nevertheless, its performance for sales volume was still better than the average level in the industry.

On the other hand, attributable to the continued strong growth in the North American market and the emerging markets, the sales volume of LCD TVs in the overseas markets significantly increased by 34.1% year-on-year and the turnover increased by 51.0% year-on-year in the first half of the year, of which, both sales volume and turnover in the second quarter of 2017 recorded a significant increase, becoming a main driver for business growth.

In the first half of 2017, the Group achieved a turnover of HK\$17.02 billion, rose by 19.7% year-on-year. Gross profit grew by 6.3% year-on-year to HK\$2.63 billion. As the price of main raw materials remained high and the sales proportion of the overseas markets has increased with regional adjustment for sales structure, gross profit margin dropped from 17.4% in the corresponding period of last year to 15.4%. Expense ratio decreased from 15.9% in the corresponding period of last year to 13.8%. Operating profit was HK\$200 million and net profit after tax was HK\$140 million. Profit attributable to owners of the parent increased by 59.5% year-on-year to HK\$150 million. Basic earnings per share was HK9.12 cents. The Board declared an interim dividend of HK3.90 cents per share.

The Group ranked No.3 in the global LCD TV market with a market share of 7.3% in the first quarter of 2017 according to the latest IHS Technology figures and the Company's shipment data, and ranked No.3 in the PRC LCD TV market with a market share of 13.6% in the first half of 2017 according to CMM's report.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group's sales volume of LCD TVs by region and the number of TCL Smart TV users during the period under review were as follows:

|                            | 1H 2017<br>('000 sets) | 1H 2016<br>('000 sets) | Change |
|----------------------------|------------------------|------------------------|--------|
| <b>LCD TVs</b>             | <b>9,603</b>           | 8,557                  | 12.2%  |
| <b>Total</b>               |                        |                        |        |
| – PRC market               | <b>3,867</b>           | 4,281                  | (9.7%) |
| – Overseas markets         | <b>5,737</b>           | 4,276                  | 34.1%  |
| <b>Of which: Smart TVs</b> | <b>6,120</b>           | 4,085                  | 49.8%  |
| <b>4K TVs</b>              | <b>2,227</b>           | 1,530                  | 45.6%  |

|   | Accumulated total as of |                  |           | Change | 1H 2017          | 1H 2016   | Change |
|---|-------------------------|------------------|-----------|--------|------------------|-----------|--------|
|   | 30 June 2017            | June 2017        | June 2016 |        |                  |           |        |
| <b>Number of TCL activated smart TV users<sup>(1)</sup></b> | <b>20,303,387</b>       | <b>408,528</b>   | 343,559   | 18.9%  | <b>3,013,953</b> | 2,632,815 | 14.5%  |
| <b>Daily average number of active users<sup>(2)</sup></b>   | <b>N/A</b>              | <b>9,169,637</b> | 6,244,653 | 46.8%  | <b>N/A</b>       | N/A       | N/A    |

Notes:

- (1) Number of TCL activated smart TV users refers to the number of users who use the internet TV web service for more than once
- (2) Daily average number of active users refers to the number of unrepeat individual users who visit within 7 days



## MANAGEMENT DISCUSSION AND ANALYSIS

### The PRC Market

According to CMM's report, in the first half of 2017, the sales volume in the TV industry dropped by 10.8% year-on-year. Impacted by this situation, the Group's LCD TV sales volume decreased by 9.7% year-on-year to 3.87 million sets, yet its performance for sales volume was still better than the average level in the industry.

The Group's LCD TV turnover slightly decreased by 0.5% to HK\$8.55 billion when compared to the corresponding period of last year while increased by 2.6% in the second quarter year-on-year, which was attributable to the optimisation of the product mix and the increase in the LCD TV's average selling price.

According to CMM's report, the average selling price of TV industry increased by 14.9% year-on-year. The average selling price of the Group's LCD TVs (excluding ODM business) would have increased by 17.6% year-on-year if it was calculated in Renminbi. Due to 4.6% depreciation in the average exchange rate of Renminbi against Hong Kong dollars compared to the corresponding period of last year, the average selling price of LCD TVs (excluding ODM business) increased by 13.0% year-on-year after it was converted and calculated in Hong Kong dollars, and was up by 18.7% in the second quarter year-on-year.

As the price of raw materials remained high, the gross profit was under pressure but the gross profit margin of LCD TV (excluding ODM business) only dropped slightly by 0.1 percentage point year-on-year for optimised product mix. The gross profit margin for TCL brand products generally remained flat when compared to the corresponding period of last year.

With continued product mix optimisation, the proportion of middle-to-high-end products has been steadily increasing in the first half of 2017 (Data below excluded ODM business).

- Smart TV sales volume amounted to 2.33 million sets, which accounted for 75.1% of the LCD TV sales volume in the first half of 2017, rising from 62.6% in the first half in 2016.
- 4K TV sales volume amounted to 1.26 million sets, which accounted for 40.6% of the LCD TV sales volume in the first half of 2017, rising from 33.9% in the first half of 2016.
- Market share of curved TVs was 35.2%, maintaining No.1 position (Source: CMM). Sales volume of curved TVs rose significantly by 79.4% year-on-year to 480,000 sets, which accounted for 15.4% of the LCD TV sales volume in the first half of 2017, increasing from 7.4% in the first half of 2016.



## MANAGEMENT DISCUSSION AND ANALYSIS

- The average size of TVs sold increased from 43.7 inches in the corresponding period of last year to 45.5 inches.

According to CMM's report, TCL's LCD TV brand price index increased from 92 in the first half of 2016 to 97, ranking No.3.

By engaging in different online marketing activities, the proportion of the Group's sales volume from electronic business sales channels increased from 20.2% in the first half of 2016 to 21.7% in the first half of 2017.

### **Overseas Markets**

The Group is determined to improve its global business layout through internationalization strategy, leverage on many years of experience, combine with advantages of TCL's vertical integration of supply chain, proactively improve supply chain control and accelerate its product mix transition by increasing its proportion of high-end products.

In the first half of 2017, the Group's LCD TV sales volume increased by 34.1% year-on-year to 5.74 million sets, turnover was up by 51.0% year-on-year to HK\$8.38 billion, the average selling price increased by 12.5% year-on-year. Both sales volume and revenue in the overseas markets recorded significant increase, becoming a main driver for business growth.

Performance in the overseas markets in the first half of 2017:

- In the North American market, LCD TV sales volume surged by 215.9% year-on-year.
- LCD TV sales volume in the emerging markets rose by 20.5% year-on-year.
- LCD TV sales volume in the European market dropped by 38.7% year-on-year.
- LCD TV sales volume of the strategic ODM business was up by 9.6% when compared with the corresponding period of last year.



## MANAGEMENT DISCUSSION AND ANALYSIS

The Group enhanced its product mix through CBUS (curved, big screen, 4K and smart) strategy (excluding ODM business):

- The sales volume proportion of curved TV increased from 1.6% in the first half of 2016 to 1.9% in the first half of 2017.
- The sales volume proportion of TV with screen size of 55 inches and above rose from 13.8% in the first half of 2016 to 16.3% in the first half of 2017.
- The sales volume proportion of 4K TV increased from 12.5% in the first half of 2016 to 19.3% in the first half of 2017.
- The sales volume proportion of smart TV rose from 48.3% in the first half of 2016 to 77.0% in the first half of 2017.

### Internet Business

The Group continued to build its smart TV ecosystem. The Group launched its brand new internet TV brand “FFalcon” in March, to tap into the internet TV market and announced on 2 July 2017 that Tencent Digital had agreed to make capital contribution of RMB450 million to Thunderbird Technology under the Group; in return, Tencent Digital would acquire 16.67% of interest in Thunderbird Technology, making it the second largest shareholder. This strategic cooperation between two giants aims to achieve strategic complementary effect on resources and accelerate the promotion of the “Smart + Internet” new business model.

In the first half of 2017, the accumulated number of TCL activated smart TV users of the Group totaled 20,303,387, and the daily average number of active users in June 2017 was 9,169,637 (Source: Huan).

As of the end of June 2017, the number of internet TV users has grown steadily:

- Video-on-demand business totaled 19.39 million users, increased by 39.9% when compared to the first half of 2016.



## MANAGEMENT DISCUSSION AND ANALYSIS

- Paid business totaled 242,000 users, increased by 374.5% when compared to the first half of 2016.
- Average spending time of users on TV reached 4.9 hours.

The Group recorded a revenue of approximately RMB30.19 million in the first half of 2017, with a growth of 18.7% year-on-year.

### **R&D**

During the period under review, the Group strengthened its investment in research & development, and launched a diverse series of products, aiming to meet the demand of various customers and enhance its product competitiveness.

In terms of high-end products, the Group introduced the third generation quantum dot TV products XESS X2 and X3 series. The series of products adopt the inorganic three primary colors quantum dot display material that achieves 110% of the industry's highest color gamut. They are also equipped with ultra-thin borderless design, QUHD display quality engine, Dolby Vision High Dynamic Range technology, MEMC (Motion Estimated Motion Compensation) technology and Harman Kardon audio system, achieving significant breakthroughs in technology.

Meanwhile, the Group launched the super-thin C2 series Theater TV products. The C2 Theater TV is equipped with the premium Harman Kardon audio system which consists of independent speakers and features DTS (Digital Theater Systems) sound processing technology. With an excellent perfect sound quality, users can enjoy live experience as if they were at a real event. Such series of products were introduced to the markets in Europe, Latin America and Asia, which has increased the sales proportion of the Group's middle-to-high-end products in the overseas markets.

Furthermore, the Group introduced the product series of its internet TV brand "FFalcon". The product series comprise 4 new products including I55, I55C, I49 and I32, of which, the first I55 product is equipped with a 4K large screen, all ecological High Dynamic Range, smart definition, voice control and other advanced technologies, bringing the internet TV consumers the finest sensory experience.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Outlook

Looking forward to the second half of the year, the market demand in the PRC is expected to slow down and the competition in the industry remains fierce. Nevertheless, the sales volume of large-screen TVs would see continuous growth trend, and the sales revenue and profit are expected to rise driven by large-size middle-to-high-end products. Therefore, the Group will persist in adhering to the overall operation philosophy of “efficiency is the basis, the structure is core, profit is goal” for 2017 and continue to strengthen the establishment of principal competencies of the enterprise and forge core competitiveness. It will continue to promote the transformation of twin drivers of “double +” and internationalisation. Meanwhile, the Group will also strive to improve operational efficiency and further implement stringent cost control measures, thus reinforcing the core brand competitiveness, improving profitability and achieving sustainable growth.

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

1. The Group will continue to implement the “double +” strategic transformation. It will establish a customer-centric ecosystem based on platform operation to develop new business models; optimise software and hardware experiences, integrate product and operation platforms to optimise user experience and enhance platform capability; and actively implement the TV+ business strategy in the overseas markets.
2. The Group will continue to pursue internationalisation. It will focus on branding by strengthening brand investment and enhancing brand image; enhance efficiency and structural transformation to establish operating models with healthy and steady growth, and strengthen and enhance existing businesses while focusing on breakthroughs in the key markets.
3. The Group will enhance core competitiveness and operational efficiency. It will continue to innovate and enhance R&D capability to maintain product competitiveness; implement intelligent manufacturing and strengthen industrial manufacturing capability; and optimise business and workflow to enhance operational efficiency and decrease system costs.



## MANAGEMENT DISCUSSION AND ANALYSIS

The Group is confident of achieving its LCD TV sales volume target for the year of 2017 of 22.00 million sets. The Group will take full advantage of the resources of TCL Corporation to continually strengthen its internet-based capabilities and actively build a comprehensive ecosystem for smart TVs to provide users with an exquisite experience with smart products and services, thereby delivering value to shareholders.

### FINANCIAL REVIEW

#### Significant Investments, Acquisitions and Disposals

On 24 June 2016, TCL Overseas Consumer Electronics Limited ("OCE", a wholly-owned subsidiary of the Company) entered into a joint venture and shareholders' agreement with Semp Amazonas S.A., an independent third party, to invest in a Brazilian company, Semp TCL Industria E Comercio De Eletroeletronicos S.A. ("SSA"). Pursuant to the joint venture and shareholders' agreement, OCE agreed to contribute BRL80,000,000 (equivalent to approximately HK\$196,063,000) to SSA, representing 40% of the enlarged share capital of SSA. The initial, second and third capital injections of BRL32,000,000 (equivalent to approximately HK\$79,112,000), BRL24,000,000 (equivalent to approximately HK\$56,179,000) and BRL24,000,000 (equivalent to approximately HK\$60,772,000) respectively were completed on 1 August 2016, 10 October 2016 and 17 March 2017 respectively.

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

#### Liquidity and Financial Resources

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

The cash and bank balance of the Group as at 30 June 2017 amounted to approximately HK\$2,910,963,000, of which 1.2% was maintained in Hong Kong dollars, 26.8% in US dollars, 68.2% in Renminbi, 1.3% in Euros and 2.5% in other currencies for the overseas operation.

There was no material change in the available credit facilities when compared with those for the year ended 31 December 2016. The net carrying amounts of the Group's fixed assets held under finance leases included in the total amounts of furniture, fixtures and equipment and motor vehicles as at 30 June 2017 amounted to approximately HK\$3,363,000 (31 December 2016: HK\$3,755,000) and HK\$2,031,000 (31 December 2016: HK\$2,267,000), respectively.



## MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2017, the Group's gearing ratio was 0% since the Group's cash and bank balances of approximately HK\$2,910,963,000 were higher than the total interest-bearing borrowings of approximately HK\$1,732,984,000. The maturity profile of the borrowings ranged from one to three years.

### **Pledge of Assets**

As at 30 June 2017, no asset of the Group was pledged (31 December 2016: Nil).

### **Capital Commitments and Contingent Liabilities**

As at 30 June 2017, the Group had capital commitments of approximately HK\$80,785,000 (31 December 2016: HK\$75,690,000) and HK\$295,122,000 (31 December 2016: HK\$253,075,000) which were contracted but not provided for and authorised but not contracted for, respectively. There was no significant change in contingent liabilities of the Group compared to the position outlined in the Company's 2016 annual report.

### **Pending Litigation**

The Group was not involved in any material litigation as at 30 June 2017.

### **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.



## MANAGEMENT DISCUSSION AND ANALYSIS

### **Employee and Remuneration Policy**

As at 30 June 2017, the Group had a total of 20,306 dynamic and talented employees. They were all dedicated to advancing the quality and reliability of our operations. Remuneration policy was reviewed regularly, making reference to current legislation, market condition and both the performance of individual and the Group. In order to align the interests of staff with those of shareholders, share options were granted to relevant grantees including employees under the Company's share option scheme. Options for subscribing a total number of 165,445,751 shares remained outstanding at the end of the reporting period.

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

Further details of the Company's share option scheme and the Award Scheme are set out in the section "OTHER INFORMATION" in this interim report.



## OTHER INFORMATION

### CHANGES OF PARTICULARS OF THE DIRECTORS

Certain particulars of the directors have been changed in the following respects since the published date of the 2016 annual report of the Company, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

| <b>Effective Date</b> | <b>Change</b>   |
|-----------------------|---|
| 31 May 2017           | Mr. Robert Maarten WESTERHOF, an independent non-executive director of the Company, ceased to act as a member of the Supervisory Board of Teleplan              |
| 1 July 2017           | Ms. XU Fang, an executive director of the Company, ceased to act as the Chief Human Resources Officer of the Company  |
| 1 July 2017           | Mr. Albert Thomas DA ROSA, Junior, a non-executive director of the Company, ceased to act as a member of the Hong Kong Society of Registered Financial Planners |

## OTHER INFORMATION

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

As at 30 June 2017, the interests and short positions of the directors and chief executive in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules ("Model Code"), were as follows:

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

| Name of Director                 | Number of ordinary shares held |                  |                             | Number of underlying shares held under equity derivatives |                  | Total      | Approximate percentage of number of issued shares of the Company<br>(Note 2) |
|----------------------------------|--------------------------------|------------------|-----------------------------|---|------------------|------------|--|
|                                  | Personal interests             | Family interests | Other interests<br>(Note 1) | Personal interests  | Family interests |            |  |
| LI Dongsheng                     | 38,896,671                     | 4,035,174        | 134,480                     | 3,471,378   | 226,535          | 46,764,238 | 2.68%  |
| BO Lianming                      | 1,018,994                      | -                | 831,989                     | 6,001,268   | -                | 7,852,251  | 0.45%  |
| YAN Xiaolin                      | 37,700                         | -                | 68,508                      | 1,282,453   | -                | 1,388,661  | 0.08%  |
| XU Fang                          | 470,853                        | -                | 573,013                     | 3,291,648   | -                | 4,335,514  | 0.25%  |
| Albert Thomas DA ROSA,<br>Junior | 63,333                         | -                | -                           | 194,410   | -                | 257,743    | 0.01%  |
| HUANG Xubin                      | 1,122,065                      | -                | 71,646                      | 589,965   | -                | 1,783,676  | 0.10%  |
| Abulikemu ABULIMITI              | -                              | -                | -                           | 122,630   | -                | 122,630    | 0.01%  |
| LIU Hong                         | -                              | -                | -                           | 80,162  | -                | 80,162     | 0.005%   |
| Robert Maarten<br>WESTERHOF      | 30,000                         | -                | -                           | 194,410   | -                | 224,410    | 0.01%  |
| SO Wai Man Raymond               | -                              | -                | -                           | 242,702   | -                | 242,702    | 0.01%  |
| WANG Yijiang                     | -                              | -                | -                           | 122,630   | -                | 122,630    | 0.01%  |



## OTHER INFORMATION

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

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

##### TCL Corporation (Note 3)

| Name of Director | Number of ordinary shares held |                         | Number of underlying shares held under equity derivatives | Total         | Approximate percentage of number of issued shares of TCL Corporation<br>(Note 4) |
|------------------|--------------------------------|-------------------------|---|---------------|--|
|                  | Personal interests             | Other interests         |   |               |  |
| LI Dongsheng     | 638,273,688                    | 408,899,521<br>(Note 5) | –   | 1,047,173,209 | 8.57%  |
| BO Lianming      | 4,058,801                      | –                       | –   | 4,058,801     | 0.03%  |
| YAN Xiaolin      | 599,500                        | –                       | –   | 599,500       | 0.005%   |
| HUANG Xubin      | 3,383,380                      | –                       | –   | 3,383,380     | 0.03%  |

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

##### Tonly Holdings (Note 6)

| Name of Director                 | Number of ordinary shares held |                  |                             | Number of underlying shares held under equity derivatives |                  | Total     | Approximate percentage of number of issued shares of Tonly Holdings<br>(Note 8) |
|----------------------------------|--------------------------------|------------------|-----------------------------|---|------------------|-----------|---|
|                                  | Personal interests             | Family interests | Other interests<br>(Note 7) | Personal interests  | Family interests |           |   |
| LI Dongsheng                     | 5,572,791                      | 206,515          | 301,274                     | 175,111   | 108,618          | 6,364,309 | 2.51%   |
| BO Lianming                      | 28,653                         | –                | –                           | –   | –                | 28,653    | 0.01%   |
| YAN Xiaolin                      | 11,830                         | –                | 23,661                      | 130,927   | –                | 166,418   | 0.07%   |
| XU Fang                          | 11,917                         | –                | 8,298                       | 45,916  | –                | 66,131    | 0.03%   |
| Albert Thomas DA ROSA,<br>Junior | 5,476                          | –                | –                           | –   | –                | 5,476     | 0.002%  |
| HUANG Xubin                      | 16,693                         | –                | 24,737                      | 136,883   | –                | 178,313   | 0.07%   |
| Robert Maarten<br>WESTERHOF      | 2,142                          | –                | –                           | –   | –                | 2,142     | 0.001%  |

## OTHER INFORMATION

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

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

##### CSOT (Note 9)

| Name of Director | Number of ordinary shares held | Approximate percentage of number of issued shares of CSOT |
|------------------|--------------------------------|---|
| BO Lianming      | –<br>(Note 9, 10)              | 0%<br>(Note 9, 10)  |

##### Notes:

1. The shares are the restricted shares that have been granted to the relevant directors or their associates under the Award Scheme of the Company and were not vested as at 30 June 2017.
2. Such percentage was calculated based on the number of shares and underlying shares of the Company in which the relevant director was interested as notified to the Company and disclosed on the website of the Hong Kong Stock Exchange pursuant to Part XV of the SFO, against the number of issued shares of the Company as at 30 June 2017, being 1,743,242,049 shares in issue.
3. TCL Corporation, a joint stock company established under the laws of the PRC, is the ultimate controlling shareholder of the Company.
4. Such percentage was calculated based on the number of issued shares of TCL Corporation as at 30 June 2017, being 12,213,681,742 shares in issue, as informed by TCL Corporation.
5. The shares are held by Xinjiang Jiutian Liancheng Equity Investment Partnership Enterprise (Limited Partnership) ("Jiutian"). As at 30 June 2017, Mr. LI Dongsheng was a limited partner of Jiutian and held approximately 70.21% shares of Jiutian. Huizhou Dongxu Zhiyue Equity Investment Management Co., Ltd. ("Dongxu") was the general partner of Jiutian and held approximately 0.12% shares of Jiutian, and Mr. LI Dongsheng held approximately 51.00% shares of Dongxu.



## OTHER INFORMATION

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

*Notes: (continued)*

6. Tonly Electronics Holdings Limited ("Tonly Holdings") is a subsidiary of TCL Corporation and hence an associated corporation of the Company under Part XV of the SFO.
7. The shares are restricted shares that have been granted to the relevant directors or their associates under the award scheme of Tonly Holdings and were not vested as at 30 June 2017.
8. Such percentage was calculated based on the number of issued shares of Tonly Holdings as at 30 June 2017, being 253,117,455 shares in issue, as disclosed on the website of the Hong Kong Stock Exchange.
9. Shenzhen China Star Optoelectronics Technology Co., Ltd. ("CSOT") is a subsidiary of TCL Corporation and hence an associated corporation of the Company under Part XV of the SFO. CSOT does not have a share capital.
10. As at 30 June 2017, Mr. BO Lianming was deemed to be interested in CSOT since he owned Linzhou Star Ripple Venture Capital Partnership (Limited Partnership) ("Star Ripple", formerly known as Tibet Shannan Star Ripple Venture Capital Partnership (Limited Partnership)) as to approximately 59.04% and Star Ripple in turn was interested in CSOT.

Save as disclosed above, as at 30 June 2017, none of the directors and chief executive and their associates had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.



## OTHER INFORMATION

### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2017, the interests and short positions of the persons, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

#### Long position in shares of the Company

| Name  | Capacity                           | Number of shares held   | Approximate Percentage of number of issued shares of the Company<br>(Note 1) |
|---|------------------------------------|-------------------------|--|
| TCL Corporation (Note 2)                        | Interest of controlled corporation | 905,322,475<br>(Note 3) | 51.93%   |
| SUN Hongbin                                     | Interest of controlled corporation | 348,850,000<br>(Note 4) | 20.01%   |
| WANG Peng ("Mr. Wang")                          | Interest of controlled corporation | 348,850,000<br>(Note 4) | 20.01%   |
| ZHENG Fu ("Mr. Zheng")                          | Interest of controlled corporation | 348,850,000<br>(Note 4) | 20.01%   |
| Sunac China Holdings Limited<br>("Sunac China") | Interest of controlled corporation | 348,850,000<br>(Note 4) | 20.01%   |
| Sunac International Investment Holdings Ltd     | Interest of controlled corporation | 348,850,000<br>(Note 4) | 20.01%   |



## OTHER INFORMATION

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

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

| Name   | Capacity                           | Number of shares held   | Approximate Percentage of number of issued shares of the Company<br>(Note 1) |
|--|------------------------------------|-------------------------|--|
| Tianjin Yingrui Huixin Corporate Management Co., Ltd.<br>天津盈瑞匯鑫企業管理有限公司<br>("Tianjin Yingrui") | Interest of controlled corporation | 348,850,000<br>(Note 4) | 20.01%   |
| JIA Yueting ("Mr. Jia")  | Interest of controlled corporation | 348,850,000<br>(Note 5) | 20.01%   |
| Leshi Internet Information and Technology Corp., Beijing<br>(樂視網信息技術(北京)股份有限公司)                | Interest of controlled corporation | 348,850,000<br>(Note 5) | 20.01%   |
| Leshi Zhixin Electronic & Technology Co., Tianjin ("Leshi Zhixin")<br>(樂視致新電子科技(天津)有限公司)       | Interest of controlled corporation | 348,850,000<br>(Note 5) | 20.01%   |
| Letv ZhiXin Investment (HK) Ltd.<br>樂視致新投資(香港)有限公司   | Beneficial Owner                   | 348,850,000<br>(Note 5) | 20.01%   |

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

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

*Notes:*

1. Such percentage was calculated based on the number of shares and underlying shares of the Company in which the relevant substantial shareholder was interested as notified to the Company and disclosed on the website of the Hong Kong Stock Exchange against the number of issued shares of the Company as at 30 June 2017, being 1,743,242,049 shares in issue.
2. The following directors are directors/employees of TCL Corporation who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO:
  - (a) Mr. LI Dongsheng is the chairman and chief executive officer of TCL Corporation;
  - (b) Mr. BO Lianming is an executive director, a member of the executive committee and the president of TCL Corporation;
  - (c) Mr. YAN Xiaolin is a member of the executive committee, a senior vice president and the chief technology officer, and the president of TCL Corporate Research of TCL Corporation;
  - (d) Ms. XU Fang is a vice president of TCL Corporation; and
  - (e) Mr. HUANG Xubin is an executive director, a member of the executive committee and the chief financial officer of TCL Corporation.
3. TCL Corporation was deemed to be interested in 905,322,475 shares of the Company held by T.C.L. Industries Holdings (H.K.) Limited, a direct wholly-owned subsidiary of TCL Corporation.
4. According to the announcement of Sunac China dated 13 January 2017, Tianjin Jiarui Huixin Corporate Management Co., Ltd. (天津嘉睿匯鑫企業管理有限公司) ("Tianjin Jiarui"), which is a wholly-owned subsidiary of Tianjin Yingrui (which is in turns owned as to 50% by Mr. Wang and 50% by Mr. Zheng) entered into certain agreement(s) with, among others, Mr. Jia and Leshi Zhixin under which, among others, Tianjin Jiarui conditionally agreed to acquire in aggregate 33.4959% equity interest in Leshi Zhixin.



## OTHER INFORMATION

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

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

*Notes: (continued)*

5. A subscription agreement was entered into between the Company and Leshi Zhixin on 11 December 2015. According to the terms and subject to the conditions of the subscription agreement, Leshi Zhixin or its wholly-owned subsidiary established in Hong Kong designated by it agreed to conditionally subscribe and pay for 348,850,000 fully paid subscription shares at the subscription price of HK\$6.50 per subscription share. The ordinary resolution in respect of the subscription agreement was approved at the extraordinary general meeting on 14 January 2016 and the subscription was completed on 11 May 2016.

Save as disclosed above, as at 30 June 2017, no person, other than the directors and chief executive of the Company whose interests are set out in the section "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had notified the Company of an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

#### **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Save as disclosed under the heading "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES", "SHARE OPTION SCHEMES" and "SHARE AWARD SCHEME" in the section "OTHER INFORMATION" in this interim report, and save for the grant of 500,000 restricted shares by Tonly Holdings to Mr. LI Dongsheng on 28 April 2017, of which 250,000 shares were vested on 31 May 2017, at no time during the six months ended 30 June 2017 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or his/her spouse or children under 18 years of age, or were any such rights exercised by them; nor was the Company, or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

### SHARE OPTIONS SCHEMES

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

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

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

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

As at 30 June 2017, the number of shares of the Company that could be issued upon exercise of (i) all outstanding share options; and (ii) all share options that could be granted under the then available scheme mandate limit were 165,445,751 and 143,744,658, respectively, which represented about 9.49% and 8.25% of the total number of issued shares of the Company as at 30 June 2017, respectively.

## OTHER INFORMATION

### SHARE OPTION SCHEMES (continued)

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

| Name or category of participant | Number of share options |                           |                             |                          |                   | Date of grant of share options | Exercise price of share options<br>HK\$ | Exercise period of share options | Share closing price immediately before the date of grant of share options<br>HK\$ | Weighted average share closing price immediately before the exercise dates<br>HK\$ |
|---------------------------------|-------------------------|---------------------------|-----------------------------|--------------------------|-------------------|--------------------------------|---|----------------------------------|---|--|
|                                 | At 1 January 2017       | Granted during the period | Exercised during the period | Lapsed during the period | At 30 June 2017   |                                |   |                                  |   |  |
| <b>Directors</b>                |                         |                           |                             |                          |                   |                                |   |                                  |   |  |
| <i>Executive directors</i>      |                         |                           |                             |                          |                   |                                |   |                                  |   |  |
| LI Dongsheng                    | 1,325,733               | -                         | (1,325,733)                 | -                        | -                 | 05-Jul-11                      | 3.17                                    | Note 1                           | 3.12  | 3.71   |
|                                 | 3,000,634               | -                         | -                           | -                        | 3,000,634         | 09-Mar-15                      | 4.60                                    | Note 2                           | 4.40  | N/A  |
|                                 | 270,610                 | -                         | -                           | -                        | 270,610           | 31-Aug-15                      | 3.48                                    | Note 3                           | 3.54  | N/A  |
|                                 | 200,134                 | -                         | -                           | -                        | 200,134           | 02-Jun-16                      | 4.50                                    | Note 4                           | 4.49  | N/A  |
|                                 | 4,797,111               | -                         | (1,325,733)                 | -                        | 3,471,378         |                                |   |                                  |   |  |
| BO Lianming                     | 446,977                 | -                         | (446,977)                   | -                        | -                 | 05-Jul-11                      | 3.17                                    | Note 1                           | 3.12  | 3.69   |
|                                 | 6,001,268               | -                         | -                           | -                        | 6,001,268         | 09-Mar-15                      | 4.60                                    | Note 2                           | 4.40  | N/A  |
|                                 | 6,448,245               | -                         | (446,977)                   | -                        | 6,001,268         |                                |   |                                  |   |  |
| YAN Xiaolin                     | 300                     | -                         | -                           | -                        | 300               | 05-Jul-11                      | 3.17                                    | Note 1                           | 3.12  | N/A  |
|                                 | 979,912                 | -                         | -                           | -                        | 979,912           | 09-Mar-15                      | 4.60                                    | Note 2                           | 4.40  | N/A  |
|                                 | 152,651                 | -                         | -                           | -                        | 152,651           | 31-Aug-15                      | 3.48                                    | Note 3                           | 3.54  | N/A  |
|                                 | 149,590                 | -                         | -                           | -                        | 149,590           | 02-Jun-16                      | 4.50                                    | Note 4                           | 4.49  | N/A  |
|                                 | 1,282,453               | -                         | -                           | -                        | 1,282,453         |                                |   |                                  |   |  |
| XU Fang                         | 423,067                 | -                         | (423,067)                   | -                        | -                 | 05-Jul-11                      | 3.17                                    | Note 1                           | 3.12  | 3.70   |
|                                 | 841,091                 | -                         | -                           | -                        | 841,091           | 09-Mar-15                      | 4.60                                    | Note 2                           | 4.40  | N/A  |
|                                 | 2,227,596               | -                         | -                           | -                        | 2,227,596         | 31-Aug-15                      | 3.48                                    | Note 3                           | 3.54  | N/A  |
|                                 | 222,961                 | -                         | -                           | -                        | 222,961           | 02-Jun-16                      | 4.50                                    | Note 4                           | 4.49  | N/A  |
|                                 | 3,714,715               | -                         | (423,067)                   | -                        | 3,291,648         |                                |   |                                  |   |  |
|                                 | <b>16,242,524</b>       | <b>-</b>                  | <b>(2,195,777)</b>          | <b>-</b>                 | <b>14,046,747</b> |                                |   |                                  |   |  |

## SHARE OPTION SCHEMES (continued)

| Name or category of participant | Number of share options |                           |                             |                          | At 30 June 2017 | Date of grant of share options | Exercise price of share options<br>HK\$ | Exercise period of share options | Share closing price immediately before the date of grant of share options<br>HK\$ | Weighted average share closing price immediately before the exercise dates<br>HK\$ |
|---------------------------------|-------------------------|---------------------------|-----------------------------|--------------------------|-----------------|--------------------------------|---|----------------------------------|---|--|
|                                 | At 1 January 2017       | Granted during the period | Exercised during the period | Lapsed during the period |                 |                                |   |                                  |   |  |
| <i>Non-Executive directors</i>  |                         |                           |                             |                          |                 |                                |   |                                  |   |  |
| Albert Thomas DA ROSA, Junior   | 100,000                 | -                         | (100,000)                   | -                        | -               | 05-Jul-11                      | 3.17                                    | Note 1                           | 3.12  | 4.28   |
|                                 | 194,410                 | -                         | -                           | -                        | 194,410         | 09-Mar-15                      | 4.60                                    | Note 2                           | 4.40  | N/A  |
|                                 | 294,410                 | -                         | (100,000)                   | -                        | 194,410         |                                |   |                                  |   |  |
| HUANG Xubin                     | 265,767                 | -                         | (265,767)                   | -                        | -               | 05-Jul-11                      | 3.17                                    | Note 1                           | 3.12  | 3.85   |
|                                 | 194,410                 | -                         | -                           | -                        | 194,410         | 09-Mar-15                      | 4.60                                    | Note 2                           | 4.40  | N/A  |
|                                 | 239,098                 | -                         | -                           | -                        | 239,098         | 31-Aug-15                      | 3.48                                    | Note 3                           | 3.54  | N/A  |
|                                 | 156,457                 | -                         | -                           | -                        | 156,457         | 02-Jun-16                      | 4.50                                    | Note 4                           | 4.49  | N/A  |
|                                 | 855,732                 | -                         | (265,767)                   | -                        | 589,965         |                                |   |                                  |   |  |
| Winston Shao-min CHENG*         | 122,630                 | -                         | -                           | (122,630)                | -               | 02-Jun-16                      | 4.50                                    | Note 4                           | 4.49  | N/A  |
|                                 | 122,630                 | -                         | -                           | (122,630)                | -               |                                |   |                                  |   |  |
| Abulikemu ABULIMITI             | 122,630                 | -                         | -                           | -                        | 122,630         | 02-Jun-16                      | 4.50                                    | Note 4                           | 4.49  | N/A  |
|                                 | 122,630                 | -                         | -                           | -                        | 122,630         |                                |   |                                  |   |  |
| LIU Hong**                      | -                       | 80,162                    | -                           | -                        | 80,162          | 12-May-17                      | 3.83                                    | Note 5                           | 3.70  | N/A  |
|                                 | -                       | 80,162                    | -                           | -                        | 80,162          |                                |   |                                  |   |  |
| Robert Maarten WESTERHOF        | 133,333                 | -                         | (133,333)                   | -                        | -               | 05-Jul-11                      | 3.17                                    | Note 1                           | 3.12  | 4.32   |
|                                 | 194,410                 | -                         | -                           | -                        | 194,410         | 09-Mar-15                      | 4.60                                    | Note 2                           | 4.40  | N/A  |
|                                 | 327,743                 | -                         | (133,333)                   | -                        | 194,410         |                                |   |                                  |   |  |
| SO Wai Man Raymond              | 242,702                 | -                         | -                           | -                        | 242,702         | 31-Aug-15                      | 3.48                                    | Note 3                           | 3.54  | N/A  |
|                                 | 242,702                 | -                         | -                           | -                        | 242,702         |                                |   |                                  |   |  |



## OTHER INFORMATION

### SHARE OPTION SCHEMES (continued)

| Name or category of participant                                  | Number of share options |                           |                             |                          | At 30 June 2017    | Date of grant of share options | Exercise price of share options<br>HK\$ | Exercise period of share options | Share closing price immediately before the date of grant of share options<br>HK\$ | Weighted average share closing price immediately before the exercise dates<br>HK\$ |
|--|-------------------------|---------------------------|-----------------------------|--------------------------|--------------------|--------------------------------|---|----------------------------------|---|--|
|  | At 1 January 2017       | Granted during the period | Exercised during the period | Lapsed during the period |                    |                                |   |                                  |   |  |
| WANG Yijiang   | 122,630                 | -                         | -                           | -                        | 122,630            | 02-Jun-16                      | 4.50                                    | Note 4                           | 4.49  | N/A  |
|  | 122,630                 | -                         | -                           | -                        | 122,630            |                                |   |                                  |   |  |
|  | <b>2,088,477</b>        | <b>80,162</b>             | <b>(499,100)</b>            | <b>(122,630)</b>         | <b>1,546,909</b>   |                                |   |                                  |   |  |
| <b>Associate(s) of Director(s)</b>                               |                         |                           |                             |                          |                    |                                |   |                                  |   |  |
| ICHIKAWA Yuki<br>(WEI Xue)<br>(Spouse of Mr. LI<br>Dongsheng)    | 102,434                 | -                         | -                           | -                        | 102,434            | 31-Aug-15                      | 3.48                                    | Note 3                           | 3.54  | N/A  |
|  | 124,101                 | -                         | -                           | -                        | 124,101            | 02-Jun-16                      | 4.50                                    | Note 4                           | 4.49  | N/A  |
|  | <b>226,535</b>          | <b>-</b>                  | <b>-</b>                    | <b>-</b>                 | <b>226,535</b>     |                                |   |                                  |   |  |
| <b>Other employees</b>   | 2,092,601               | -                         | (2,091,411)                 | -                        | 1,190              | 05-Jul-11                      | 3.17                                    | Note 1                           | 3.12  | 3.69   |
|  | 26,764,086              | -                         | -                           | (2,701,961)              | 24,062,125         | 09-Mar-15                      | 4.60                                    | Note 2                           | 4.40  | N/A  |
|  | 105,967,471             | -                         | (1,829,628)                 | (11,084,445)             | 93,053,398         | 31-Aug-15                      | 3.48                                    | Note 3                           | 3.54  | 3.95   |
|  | 10,286,426              | -                         | -                           | (1,395,390)              | 8,891,036          | 02-Jun-16                      | 4.50                                    | Note 4                           | 4.49  | N/A  |
|  | -                       | 17,496,102                | -                           | (661,755)                | 16,834,347         | 12-May-17                      | 3.83                                    | Note 5                           | 3.70  | N/A  |
|  | <b>145,110,584</b>      | <b>17,496,102</b>         | <b>(3,921,039)</b>          | <b>(15,843,551)</b>      | <b>142,842,096</b> |                                |   |                                  |   |  |
| <b>Those who have contributed or may contribute to the Group</b> |                         |                           |                             |                          |                    |                                |   |                                  |   |  |
|  | 4,330,985               | -                         | (179,828)                   | (202,390)                | 3,948,767          | 31-Aug-15                      | 3.48                                    | Note 3                           | 3.54  | 4.12   |
|  | 3,050,813               | -                         | -                           | (216,116)                | 2,834,697          | 02-Jun-16                      | 4.50                                    | Note 4                           | 4.49  | N/A  |
|  | <b>7,381,798</b>        | <b>-</b>                  | <b>(179,828)</b>            | <b>(418,506)</b>         | <b>6,783,464</b>   |                                |   |                                  |   |  |
|  | <b>171,049,918</b>      | <b>17,576,264</b>         | <b>(6,795,744)</b>          | <b>(16,384,687)</b>      | <b>165,445,751</b> |                                |   |                                  |   |  |



**SHARE OPTION SCHEMES (continued)**

*Note 1:* One-ninth of such share options are exercisable after the expiry of 18 months from the date of grant, a further three-ninths are exercisable after the expiry of 30 months from the date of grant, and the remaining five-ninths are exercisable after the expiry of 42 months from the date of grant, up to 4 July 2017.

*Note 2:* One-third of such share options are exercisable commencing from 9 January 2017, a further one-third are exercisable commencing from 9 January 2018, and the remaining one-third are exercisable commencing from 9 January 2019, up to 8 March 2021.

*Note 3:* For share options granted to the employees of the Group, approximately one-third of such share options are exercisable commencing from 9 January 2017, a further approximately one-third are exercisable commencing from 9 January 2018, and the remaining approximately one-third are exercisable commencing from 9 January 2019, up to 30 August 2021.

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

*Note 4:* For share options granted to the employees of the Group, approximately 13% of such share options are exercisable commencing from 9 January 2017, a further approximately 43% are exercisable commencing from 9 January 2018, and the remaining approximately 44% are exercisable commencing from 9 January 2019, up to 1 June 2022.

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

*Note 5:* Approximately 21% of such share options are exercisable commencing from 9 January 2018, and the remaining approximately 79% are exercisable commencing from 9 January 2019, up to 11 May 2023.

\* Mr. Winston Shao-min CHENG resigned as a non-executive director of the Company with effect from 7 April 2017.

\*\* Mr. LIU Hong was appointed as a non-executive director of the Company with effect from 7 April 2017.

△ This represents the weighted average closing price of the shares of the Company immediately before the date on which the relevant share options were exercised by the relevant director, associate of director or other employees and those who may have contributed or may contribute to the Group (as the case may be) during the reporting period.



## OTHER INFORMATION

### AWARD SCHEME

The Company adopted the Award Scheme on 6 February 2008. By a shareholders' resolution passed in the extraordinary general meeting held on 11 August 2015, the Award Scheme was amended. Details of the Award Scheme and the amendments are set out in the announcements dated 6 February 2008 and 25 June 2015 respectively and the circulars dated 19 March 2008 and 27 July 2015 respectively. On 13 June 2016, the Board has further resolved to amend the Award Scheme to allow the Board, at its sole and absolute discretion, to accelerate the vesting of awarded shares and/or waive and/or alter any or all of the vesting conditions attached to the awarded shares.

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

Information in relation to the Award Scheme was as follows:

| Granted but not vested<br>as at 1 January 2017<br>'000 | Number of awarded shares                |                                     |  | Granted but<br>not vested<br>as at 30 June<br>2017<br>'000 |
|--|---|-------------------------------------|--|--|
|  | Granted<br>during the<br>period<br>'000 | Vested during<br>the period<br>'000 | Lapsed<br>during the<br>period<br>'000 |  |
| 31,215   | 255                                     | (9,374)                             | (5,431)                                | 16,665   |

As at 30 June 2017, 101,018,086 further awarded shares might be granted to the eligible participants of the Award Scheme, which represented approximately 5.79% of the total number of issued shares of the Company as at 30 June 2017.

The expenses in relation to the Award Scheme recorded during the period from 1 January 2017 to 30 June 2017 were approximately HK\$4,302,000.

### **PURCHASES, SALE OR REDEMPTION OF SHARES**

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2017.

### **INTERIM DIVIDEND**

The Board is pleased to declare an interim dividend for the period ended 30 June 2017, of HK3.90 cents (30 June 2016: Nil) in cash per share.

The said interim dividend will be payable on or about 15 September 2017, Friday to shareholders whose names appear on the register of members of the Company at the close of business at 4:30 p.m. on 6 September 2017, Wednesday.

### **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 5 September 2017, Tuesday to 6 September 2017, Wednesday (both dates inclusive), for the purpose of determining the entitlements of the members of the Company to the interim dividend. No transfer of shares may be registered during the said period. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on 4 September 2017, Monday.

### **CORPORATE GOVERNANCE**

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

None of the directors of the Company is aware of any information which would reasonably indicate that the Company had not, throughout the six months ended 30 June 2017, complied with the code provisions (the "Code Provisions") set out in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules, except for the deviation from the Code Provisions A.6.7, D.1.4, E.1.2 and F.1.1. The reason for the deviation from the Code Provision F.1.1 remains the same as that stated in the Company's 2016 annual report.



## OTHER INFORMATION

### CORPORATE GOVERNANCE (continued)

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

Due to other pre-arranged business commitments which must be attended to by each of them, Mr. HUANG Xubin, Mr. Abulikemu ABULIMITI and Mr. LIU Hong, being non-executive directors of the Company and Professor SO Wai Man Raymond, being an independent non-executive director of the Company, were not present at the annual general meeting of the Company ("AGM") and the extraordinary general meeting of the Company ("EGM") held on 23 May 2017.

However, Mr. Albert Thomas DA ROSA, Junior, being a non-executive director of the Company and Mr. Robert Maarten WESTERHOF, Dr. TSENG Shiang-chang Carter and Professor WANG Yijiang, being independent non-executive directors of the Company, were present at the AGM and EGM to ensure an effective communication with the shareholders thereat.

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

The Company has no formal letters of appointment for its directors (except for Mr. YAN Xiaolin, Ms. XU Fang, Mr. Abulikemu ABULIMITI, Mr. LIU Hong, Professor SO Wai Man Raymond, Professor WANG Yijiang and Mr. Winston Shao-min CHENG who has resigned with effect from 7 April 2017) as most of them have been serving as directors for a considerable period of time, a clear understanding of the terms and conditions of their appointment already exists between the Company and the directors, and so there is no written record of the same. In any event, all directors, including those without a letter of appointment and those appointed for a specific term, shall be subject to retirement by rotation in the manner prescribed under the articles of association of the Company ("Articles"), and on re-election of the retiring directors, shareholders are given information that is reasonably necessary for them to make an informed decision on the reappointment of the relevant directors.

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

### **CORPORATE GOVERNANCE (continued)**

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

Due to other pre-arranged business commitments which must be attended to by each of them, Professor SO Wai Man Raymond, the chairman of the Audit Committee of the Company and Mr. BO Lianming, the chairman of the strategy executive committee ("Strategy Executive Committee") were not present at the AGM. However, two members of the Audit Committee, Dr. TSENG Shieng-chang Carter and Professor WANG Yijiang and a member of the Strategy Executive Committee, Ms. XU Fang were present at the AGM to ensure an effective communication with the shareholders thereat.

Due to other pre-arranged business commitments which must be attended to by him, Professor SO Wai Man Raymond, a member of the independent board committee of the Company ("Independent Board Committee") was not present at the EGM for approving continuing connected transactions and major transactions as stated in the circular of the Company dated 19 April 2017. However, all of the other members of the said Independent Board Committee, Dr. TSENG Shieng-chang Carter (who is also the chairman of the said Independent Board Committee), Mr. Robert Maarten WESTERHOF and Professor WANG Yijiang were present at the EGM and available to answer questions from the shareholders thereat.

### **AUDIT COMMITTEE**

The Audit Committee has reviewed the Group's unaudited financial statements for the six months ended 30 June 2017, including the accounting principles adopted by the Group, with the Company's management. The Audit Committee comprises four members including Professor SO Wai Man Raymond (Chairman), Dr. TSENG Shieng-chang Carter and Professor WANG Yijiang, all being independent non-executive directors of the Company, and Mr. HUANG Xubin, a non-executive director of the Company.



## OTHER INFORMATION

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

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

### COMPLIANCE WITH DEED OF NON-COMPETITION

The Company has received a confirmation (the “Confirmation”) from both TCL Corporation and T.C.L. Industries Holdings (H.K.) Limited (collectively the “Covenantors”) signed by them confirming that for the period from 1 January 2017 to 30 June 2017 and up to the date of signing the Confirmation 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 by deed of variation dated 10 June 2002, second deed of variation dated 15 July 2013 and third deed of variation dated 24 April 2014) (collectively the “Deed of Non-Competition”).

The independent non-executive directors of the Company have reviewed the Confirmation and all of them are satisfied that the Deed of Non-Competition has been complied with during the period under review.

On behalf of the Board

**LI Dongsheng**

*Chairman*

Hong Kong, 27 July 2017

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