

TCL ELECTRONICS HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)
Stock code: 01070

The Creative Life

Interim Report **2018**

创意感动生活
The Creative Life

TCL

The background is a vibrant blue gradient. It is filled with numerous small white dots, resembling stars or particles. Several prominent white lines, some straight and some curved, sweep across the frame, creating a sense of motion and energy. These lines often terminate in bright starburst or lens flare effects, adding to the futuristic and high-tech aesthetic.

TCL ELECTRONICS HOLDINGS LIMITED

INTERIM REPORT 2018

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. LI Dongsheng (Chairman)
Mr. WANG Cheng Kevin (CEO)
Mr. YAN Xiaolin
Mr. WANG Yi Michael

Non-Executive Directors

Mr. Albert Thomas DA ROSA, Junior
Mr. HUANG Xubin
Mr. ZHANG Zhiwei (resigned as a non-executive
Director with effect from 24 August 2018)
Mr. LIU Hong (resigned as a non-executive
Director with effect from 24 August 2018)
Mr. LI Yuhao (appointed as a non-executive
Director with effect from 24 August 2018)

Independent Non-Executive Directors

Mr. Robert Maarten WESTERHOF
Dr. TSENG Shieng-chang Carter
Professor Wang Yijiang
Mr. LAU Siu Ki

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

Strategic Financial Relations (China) Limited
2402 Admiralty Centre I
18 Harcourt Road
Hong Kong

INTERIM RESULTS

The board of directors (the "Board") of TCL Electronics 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 2018 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	
		2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000 (Restated)	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000 (Restated)
TURNOVER	4	21,050,481	17,022,807	10,197,356	8,543,072
Cost of sales		(17,830,324)	(14,396,638)	(8,696,413)	(7,252,043)
Gross profit		3,220,157	2,626,169	1,500,943	1,291,029
Other revenue and gains		486,453	184,691	343,187	100,506
Selling and distribution expenses		(2,040,690)	(1,770,390)	(1,017,471)	(827,818)
Administrative expenses		(603,042)	(566,101)	(209,201)	(309,202)
Research and development costs		(292,083)	(265,880)	(144,846)	(150,305)
Other operating expenses		(8,830)	(10,329)	(8,641)	(6,476)
Finance costs	5	761,965 (25,868)	198,160 (52,025)	463,971 (12,184)	97,734 (33,392)
Share of profits and losses of:					
Joint ventures		637	(12,446)	1,400	(6,667)
Associates		24,015	47,607	14,057	34,372
PROFIT BEFORE TAX	6	760,749	181,296	467,244	92,047
Income tax	7	(189,253)	(37,418)	(144,253)	(25,686)
PROFIT FOR THE PERIOD		571,496	143,878	322,991	66,361

INTERIM RESULTS

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

	Six months ended 30 June		Three months ended 30 June	
	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000	2018 (unaudited) HK\$'000	2017 (unaudited) 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	26,661	(39,075)	31,931	(40,323)
Reclassification adjustments for losses/(gains) included in the consolidated statement of profit or loss	(7,656)	(6,782)	(18,899)	16,974
	19,005	(45,857)	13,032	(23,349)
Exchange differences:				
Translation of foreign operations	(116,963)	152,347	(351,863)	105,858
Reclassification adjustments for foreign operations disposed of during the period	-	495	-	495
Reclassification adjustments for deemed partial disposal of an associate during the period	-	306	-	306
	(116,963)	153,148	(351,863)	106,659
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	(97,958)	107,291	(338,831)	83,310
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:				
Change in fair value of equity instruments at fair value through other comprehensive income	(5,878)	-	(5,878)	-
Share of other comprehensive income of an associate	1,665	651	1,665	651

INTERIM RESULTS

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

	Six months ended 30 June		Three months ended 30 June	
	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
OTHER COMPREHENSIVE INCOME/ (LOSS) FOR THE PERIOD	(102,171)	107,942	(343,044)	83,961
TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE PERIOD	469,325	251,820	(20,053)	150,322
Profit/(loss) attributable to:				
Owners of the parent	571,958	151,062	323,539	69,664
Non-controlling interests	(462)	(7,184)	(548)	(3,303)
	571,496	143,878	322,991	66,361
Total comprehensive income/(loss) attributable to:				
Owners of the parent	470,297	256,646	(16,378)	151,996
Non-controlling interests	(972)	(4,826)	(3,675)	(1,674)
	469,325	251,820	(20,053)	150,322
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9			
Basic	HK26.72 cents	(Restated) HK8.83 cents		
Diluted	HK26.00 cents	(Restated) HK8.64 cents		

INTERIM RESULTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2018 (unaudited) HK\$'000	31 December 2017 (audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		1,365,168	1,675,998
Prepaid land lease payments		123,226	125,801
Investment properties		129,335	130,329
Goodwill		119,638	119,638
Other intangible assets		81	129
Investments in joint ventures		14,038	14,291
Investments in associates		1,102,124	1,106,911
Equity instruments at fair value through other comprehensive income		116,044	–
Available-for-sale investments		–	107,835
Deferred tax assets		61,093	72,589
Other deferred assets		46,760	–
Total non-current assets		3,077,507	3,353,521
CURRENT ASSETS			
Inventories		3,669,955	5,058,597
Trade receivables	10	5,617,845	6,466,171
Bills receivable		3,369,215	3,793,118
Other receivables		1,835,811	1,249,468
Tax recoverable		36,367	29,266
Derivative financial instruments		79,736	202,970
Cash and bank balances		5,655,669	5,910,235
Total current assets		20,264,598	22,709,825
CURRENT LIABILITIES			
Trade payables	11	7,374,704	9,753,201
Bills payable		631,645	306,879
Other payables and accruals		4,249,250	4,555,367
Interest-bearing bank and other borrowings	12	478,114	2,905,253
Tax payable		108,648	136,599
Derivative financial instruments		9,252	194,826
Provisions		523,582	477,920
Total current liabilities		13,375,195	18,330,045

INTERIM RESULTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

		30 June 2018 (unaudited) HK\$'000	31 December 2017 (audited) HK\$'000
	<i>Notes</i>		
NET CURRENT ASSETS		6,889,403	4,379,780
TOTAL ASSETS LESS CURRENT LIABILITIES		9,966,910	7,733,301
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	12	21,350	21,537
Deferred tax liabilities		24,051	15,247
Other payables		27,467	–
Total non-current liabilities		72,868	36,784
Net assets		9,894,042	7,696,517
EQUITY			
Equity attributable to owners of the parent			
Issued capital	13	2,333,388	1,747,633
Reserves		7,493,833	5,881,091
Non-controlling interests		9,827,221	7,628,724
		66,821	67,793
Total equity		9,894,042	7,696,517

INTERIM RESULTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent													Non-controlling interests	Total equity
	Issued capital	Share premium account	Share option reserve	Capital reserve	Reserve funds	Hedging reserve	Exchange fluctuation reserve	Other reserve	Shares held for the Award Scheme	Awarded share reserve	Accumulated losses	Total			
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
At 1 January 2017	1,756,446	4,633,314	176,300	57,762	913,945	23,756	(223,860)	(6,188)	(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	(2,656)	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	256,446	(4,024)	251,820	
Disposal of a subsidiary	-	-	-	-	(1,194)	-	-	-	-	-	1,194	-	(22,543)	(21,349)	
Equity-settled share option arrangements	-	-	22,010	-	-	-	-	-	-	-	-	22,010	-	22,010	
Issue of shares upon exercise of share options	6,796	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	(16,456)	-	(9,685)	-	(9,685)	
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(1,260)	(1,260)	
At 30 June 2017	1,743,242	4,659,178	184,619	57,762	912,751	(22,101)	(73,070)	(5,517)	(211,563)	101,090	(597,421)	6,748,970	75,271	6,824,241	

INTERIM RESULTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

	Attributable to owners of the parent														Total equity
	Issued capital	Share premium account	Share option reserve	Capital reserve	Reserve funds	Hedging reserve	Exchange fluctuation reserve	Equity instruments at fair value through other comprehensive income reserve	Other reserve	Shares held for the Award Scheme	Awarded share reserve	Retained profits	Total	Non-controlling interests	
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2018															
As previously reported	1,747,633	4,611,230	207,570	57,762	913,403	(8,941)	123,906	-	10,541	(208,197)	105,975	67,842	7,628,724	67,793	7,696,517
Change in accounting policy	-	-	-	-	-	-	-	13,454	-	-	-	-	13,454	-	13,454
As restated	1,747,633	4,611,230	207,570	57,762	913,403	(8,941)	123,906	13,454	10,541	(208,197)	105,975	67,842	7,642,178	67,793	7,709,971
Profit/(loss) for the period	-	-	-	-	-	-	-	-	-	-	-	571,958	571,958	(462)	571,496
Other comprehensive income/(loss) for the period:															
Cash flow hedge	-	-	-	-	-	19,005	-	-	-	-	-	-	19,005	-	19,005
Exchange differences related to the translation of foreign operations	-	-	-	-	-	-	(116,453)	-	-	-	-	-	(116,453)	(510)	(116,963)
Change in fair value of equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	-	(5,878)	-	-	-	-	(5,878)	-	(5,878)
Share of other comprehensive income of an associate	-	-	-	-	-	-	-	-	1,665	-	-	-	1,665	-	1,665
Total comprehensive income/(loss) for the period	-	-	-	-	-	19,005	(116,453)	(5,878)	1,665	-	-	571,958	470,297	(972)	469,325
Equity-settled share option arrangements	-	-	46,558	-	-	-	-	-	-	-	-	-	46,558	-	46,558
Issue of shares upon exercise of share options	3,211	12,358	(4,592)	-	-	-	-	-	-	-	-	-	10,977	-	10,977
Share options forfeited during the period	-	-	(7,343)	-	-	-	-	-	-	-	-	1,343	-	-	-
Subscription of rights issue shares	582,544	1,418,400	-	-	-	-	-	-	-	-	-	-	2,000,944	-	2,000,944
Employee share-based compensation benefits under the Award Scheme	-	-	-	-	-	-	-	-	-	-	33,322	-	33,322	-	33,322
Vesting of shares under the Award Scheme	-	-	-	-	-	-	-	-	-	10,306	(18,334)	-	(8,028)	-	(8,028)
Purchase of shares for the Award Scheme	-	-	-	-	-	-	-	-	-	(30,536)	-	-	(30,536)	-	(30,536)
2017 final dividend paid	-	(340,373)	-	-	-	-	-	-	-	-	-	-	(340,373)	-	(340,373)
Share of other reserve of associates	-	-	-	-	-	-	-	-	1,882	-	-	-	1,882	-	1,882
At 30 June 2018	2,333,388	5,701,615*	242,193*	57,762*	913,403*	10,064*	7,453*	7,576*	14,088*	(228,427)*	120,965*	647,143*	9,827,221	66,821	9,894,042

* These reserve accounts comprise the consolidated reserves of HK\$7,493,833,000 (31 December 2017: HK\$5,881,091,000) in the consolidated statement of financial position.

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June 2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from/(used in) operations	428,781	(358,260)
Interest paid	(25,868)	(51,622)
Interest element of finance lease rental payments	–	(403)
Income taxes paid	(207,201)	(63,849)
Net cash flows from/(used in) operating activities	195,712	(474,134)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(35,623)	(70,395)
Cash disposed in disposal of subsidiaries	–	(1,160)
Proceeds from disposal of items of property, plant and equipment and prepaid land lease payments	406,982	–
Increase in deposit placed in a non-financial institution	–	(842,654)
Investments in associates	(11,769)	(64,299)
Other investing cash flows, net	43,972	28,186
Net cash flows from/(used in) investing activities	403,562	(950,322)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares upon exercise of share options	10,977	22,165
Purchases of shares for the Award Scheme	(30,536)	–
New bank and other loans	1,226,219	3,074,625
Repayment of bank and other loans	(3,677,655)	(2,722,007)
Proceeds from issue of Rights Issue shares	2,000,944	–
Dividends paid	(340,373)	–
Other financing cash flows, net	(2,159)	(2,983)
Net cash flows from/(used in) financing activities	(812,583)	371,800
NET DECREASE IN CASH AND CASH EQUIVALENTS	(213,309)	(1,052,656)
Cash and cash equivalents at beginning of period	5,910,235	3,882,361
Effect of foreign exchange rate changes, net	(41,257)	81,258
CASH AND CASH EQUIVALENTS AT END OF PERIOD	5,655,669	2,910,963
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	5,655,669	2,910,963

INTERIM RESULTS

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 “Hong Kong Stock Exchange”) (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 2017.

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 2017, 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 certain financial instruments which are 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 new and revised HKFRSs for the first time for the current period's unaudited interim condensed consolidated financial statements.

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i>
HKFRS 9	<i>Financial Instruments</i>
HKFRS 15	<i>Revenue from Contracts with Customers</i>
Amendments to HKFRS 15	<i>Clarification to HKFRS 15 Revenue from Contracts with Customers</i>
Amendments to HKAS 40	<i>Transfers of Investment Property</i>
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration</i>
<i>Annual Improvements 2014-2016 Cycle</i>	<i>Amendments to HKFRS 1 and HKAS 28</i>

HKFRS 9 “Financial Instruments”

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The Group has applied HKFRS 9 retrospectively, with the initial application date of 1 January 2018. The Group has elected not to adjust the comparative information for the period beginning 1 January 2017, which the comparative information was prepared under classification and measurement requirements of HKAS 39.

(a) Classification and measurement

Except for trade receivables, under HKFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under HKFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss “FVPL”, amortised cost, or fair value through other comprehensive income “FVOCI”. The classification is based on two criteria: the Group’s business model for managing the assets; and whether the instruments’ contractual cash flows represent “solely payments of principal and interest” on the principal amount outstanding (the “SPPI criterion”).

INTERIM RESULTS

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

HKFRS 9 “Financial Instruments” (continued)

(a) Classification and measurement (continued)

The new classification and measurement of the Group’s financial assets are as follows:

- Debt instruments at amortised cost that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group’s trade and bills receivables, other receivables, amount due from joint ventures/associates and other related parties.
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition. The Group classified its unquoted equity instruments as equity instruments at FVOCI. Equity instruments at FVOCI are not subject to an impairment assessment under HKFRS 9. Under HKAS 39, the Group’s unquoted equity instruments were classified as available-for-sale investments and stated at cost.
- Financial assets at FVPL include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Under HKAS 39, the Group’s debt instruments were classified as financial assets at fair value through profit or loss.

The assessment of the Group’s business model was made as of initial application, i.e. 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised as at 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The statement of financial position as at 1 January 2018 was adjusted, resulting in a reclassification of available-for-sale investments to equity instruments at FVOCI of HK\$107,835,000 and an increase in other reserves, deferred tax liabilities and equity instruments at FVOCI of HK\$13,454,000, HK\$1,437,000 and HK\$14,891,000, respectively due to the remeasurement of financial instruments.

The accounting for the Group’s financial liabilities remains largely the same as it was under HKAS 39.

INTERIM RESULTS

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

HKFRS 9 “Financial Instruments” (continued)

(b) Impairment

The adoption of HKFRS 9 has changed the Group’s accounting for impairment losses for financial assets by replacing HKAS 39’s incurred loss approach with a forward-looking expected credit loss “ECL” approach.

The Group records an allowance for ECLs on financial assets which are subject to impairment under HKFRS 9, including all loans and other debt financial assets and contract assets.

For trade receivables, the Group has applied the standard’s simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group’s historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic conditions.

For other debt financial assets (i.e. other receivables, loans to related parties), the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The adoption of the ECL requirements of HKFRS 9 did not have a significant impact on the impairment of the financial assets of the Group.

HKFRS 15 “Revenue from Contracts with Customers”

HKFRS 15 supersedes HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

INTERIM RESULTS**2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)****HKFRS 15 “Revenue from Contracts with Customers” (continued)**

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted HKFRS 15 using the modified retrospective method which allows the Group to recognise the cumulative effects of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings in the 2018 financial year. The Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before 1 January 2018, thus the comparative figures have not been restated.

The Group mainly engages in the businesses of manufacturing and sales of television sets, smart audio-visual (“Smart AV”) products and other related products. The Group’s contracts with customers for the sale of goods generally include one performance obligation. The Group has concluded that revenue from sale of goods should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The warranties provided by the Group are assurance-type warranties which is not a separate performance obligation from the manufacture and sale of products. Therefore, the adoption of HKFRS 15 did not have a material impact on the timing and amount of revenue recognition.

As required in the interim condensed consolidated financial statements, the Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Group also disclosed information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment. Refer to Note 4 for the disclosure on disaggregated revenue.

The application of HKFRS 15 in the current interim period has had no material impact on the amounts and/or disclosures reported in these interim condensed consolidated financial statements.

Except for HKFRS 9 and HKFRS 15 which effect of the adoption are disclosed above, the adoption of other revised HKFRSs has had no significant financial effect on the unaudited interim condensed financial statements and there have been no significant changes to the accounting policies in the unaudited interim condensed financial statements.

INTERIM RESULTS

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 9	<i>Prepayment Features with Negative Compensation</i> ¹
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
HKFRS 16	<i>Leases</i> ¹
HKFRS 17	<i>Insurance Contracts</i> ²
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i> ¹
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i> ¹
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i> ¹
<i>Annual Improvements 2015-2017 Cycle</i>	Amendments to a number of HKFRSs ¹

¹ Effective for annual periods beginning on or after 1 January 2019

² Effective for annual periods beginning on or after 1 January 2021

³ No mandatory effective date yet determined but available for adoption

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

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their geographical television segments and other product types and has three 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;
- (b) Smart AV segment – manufacture and sale of Smart AV products; and
- (c) 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.

INTERIM RESULTS

4. OPERATING SEGMENT INFORMATION (continued)

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.

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

	Six months ended 30 June									
	Television - PRC market		Television - overseas markets		Smart AV		Others		Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales to external customers	8,766,839	8,545,686	12,184,342	8,384,908	-	-	99,300	92,213	21,050,481	17,022,807
Segment results	243,125	89,944	374,890	210,917	(1,093)	-	12,941	(3,325)	629,863	297,536
Corporate income/(expenses), net									104,213	(112,894)
Finance costs									(25,868)	(52,025)
Interest income									27,889	13,518
Share of profits and losses of:										
Joint ventures	-	-	637	(1,097)	-	-	-	(11,349)	637	(12,446)
Associates	13,252	7,999	(7,330)	20,488	-	-	18,093	19,120	24,015	47,607
Profit before tax									760,749	181,296
Income tax									(189,253)	(37,418)
Profit for the period									571,496	143,878

INTERIM RESULTS

5. FINANCE COSTS

	Six months ended 30 June	
	2018	2017
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on:		
Bank and other loans	22,883	40,931
Loans from an associate	-	77
Discounting bills receivable from an associate	2,985	10,614
Finance leases	-	403
Total	25,868	52,025

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2018	2017
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation	110,197	111,905
Amortisation of other intangible assets	50	89
Amortisation of prepaid land lease payments	1,809	1,440
Employee share-based compensation benefits under the Award Scheme	27,734	4,302
Equity-settled share option expense	41,077	20,834

INTERIM RESULTS

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (30 June 2017: 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	
	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
Current – Hong Kong		
Charge for the period	99	–
Current – Elsewhere		
Charge for the period	122,776	32,421
Underprovision in prior periods	47,461	922
Deferred	18,917	4,075
Total tax charge for the period	189,253	37,418

8. DIVIDENDS

	Six months ended 30 June	
	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
Interim dividend – HK9.80 cents (30 June 2017: HK3.90 cents) per ordinary share	228,672	67,986

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	
	2018	2017
	(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

571,958 151,062

	Number of shares	
	Six months ended 30 June	
	2018	2017
	(unaudited)	(unaudited)
		(Restated)

Shares

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

2,140,939,199 1,710,980,252

Effect of dilution – weighted average number of
ordinary shares:

Share options

9,275,525 9,814,527

Awarded shares

49,676,629 26,926,976

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

2,199,891,353 1,747,721,755

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 ageing 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:

	30 June 2018 (unaudited) HK\$'000	31 December 2017 (audited) HK\$'000
Current to 90 days	5,012,059	5,651,859
91 to 180 days	212,905	498,369
181 to 365 days	151,110	129,854
Over 365 days	241,771	186,089
	5,617,845	6,466,171

The Group was entered into certain receivables purchase agreements with banks for the factoring of trade receivables with certain designated customers. At 30 June 2018, trade receivables factored to banks with an aggregate amount of HK\$1,343,666,000 (31 December 2017: Nil) were fully derecognised from the consolidated statement of financial position because, in the opinion of the directors of the Company ("Director(s)"), the Group has transferred substantially all the risks and rewards of ownership in respect of the relevant factored receivables to banks.

INTERIM RESULTS

11. TRADE PAYABLES

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

	30 June 2018 (unaudited) HK\$'000	31 December 2017 (audited) HK\$'000
Current to 90 days	6,637,526	9,321,020
91 to 180 days	477,230	247,831
181 to 365 days	155,831	101,423
Over 365 days	104,117	82,927
	7,374,704	9,753,201

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

INTERIM RESULTS

12. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2018 (unaudited) HK\$'000	31 December 2017 (audited) HK\$'000
Current		
Bank loans – unsecured	–	2,300,114
Trust receipt loans – unsecured	478,114	603,036
Finance lease payables	–	2,103
	478,114	2,905,253
Non-current		
Other loans	21,350	21,537
	499,464	2,926,790
Analysed into:		
Bank and other loans repayable:		
Within one year or on demand	478,114	2,903,150
In the third year	21,350	21,537
	499,464	2,924,687
Finance lease repayable:		
Within one year	–	2,103
	499,464	2,926,790

Notes:

- (a) As at 30 June 2018 and 31 December 2017, 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\$21,350,000 (31 December 2017: HK\$691,577,000) as at the end of the reporting period.

INTERIM RESULTS

13. SHARE CAPITAL

	30 June 2018 (unaudited) HK\$'000	31 December 2017 (audited) HK\$'000
Authorised:		
3,000,000,000 (31 December 2017: 2,200,000,000) shares of HK\$1.00 each	3,000,000	2,200,000
Issued and fully paid:		
2,333,388,113 (31 December 2017: 1,747,633,114) shares of HK\$1.00 each	2,333,388	1,747,633

On 9 January 2018, the Company proposed that the authorised share capital of the Company be increased from HK\$2,200,000,000 divided into 2,200,000,000 shares to HK\$3,000,000,000 divided into 3,000,000,000 shares by the creation of 800,000,000 additional shares ("Increase in Authorised Share Capital"), which would, upon issue and being fully paid, rank pari passu in all respects with the shares in issue. The Increase in Authorised Share Capital was approved by shareholders of the Company at the extraordinary general meeting of the Company held on 25 January 2018 ("January EGM").

On 26 January 2018, the Company allotted and issued 582,544,371 rights shares.

During the six months ended 30 June 2018, the subscription rights attaching to 676,652, 7,261, 2,417,265, 32,000 and 77,450 share options were exercised at the subscription prices of HK\$3.48, HK\$3.83, HK\$3.3918, HK\$3.7329 and HK\$3.57 per share, respectively, resulting in the issue of an aggregate of 3,210,628 shares of HK\$1.00 each for a total cash consideration of HK\$10,977,000 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	
	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
Joint ventures:		
Sales of finished goods	139,073	129,367
After-sale service income	528	267
Interest income	-	216
Associates:		
Interest income	24,271	9,622
Interest on loans	-	77
Interest on discounting bills receivable	2,985	10,614
Other finance service fees	77	85
Purchases of raw materials	34,413	37,434
Purchases of finished goods	4,122	-
Sales of finished goods	603,080	357,758
Companies controlled by TCL Corporation:		
Sales of raw materials	27,837	15,143
Sales of finished goods	2,266,977	1,473,747
Purchases of raw materials	5,723,124	5,987,106
Purchases of finished goods	378	16,999
Subcontracting fee expense	-	4,862
Subcontracting income	260	-
Rental, maintenance fees and facilities usage fees	4,454	7,521
Rental expense and licence fee	6,876	4,605
Reimbursement of brand advertising costs	226,520	70,085
Reimbursement of research and development and rental expenses	41,994	18,716
After-sale service income	13,025	2,336
After-sale service fee	123,724	145,293
Internet television service income	-	1,804
Payment gateway service fee	-	164
Promotion fee income	4,061	-
Associates of TCL Corporation:		
Purchases of raw materials	391,053	178,300
Sales of finished goods	394	472
Sales of raw materials	536	110
Logistics service fee expense	185,845	183,502
Rental income	643	723
Service fee expense	-	18,153
A substantial shareholder:		
Sales of finished goods	-	493,677
Purchases of raw materials	-	149,317

INTERIM RESULTS

14. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties

	Due from related parties		Due to related parties	
	30 June 2018 (unaudited) HK\$'000	31 December 2017 (audited) HK\$'000	30 June 2018 (unaudited) HK\$'000	31 December 2017 (audited) HK\$'000
Joint ventures	71,452	70,392	-	-
Associates	323,407	227,445	7,246	138,423
TCL Corporation and its affiliates	919,868	1,000,083	2,320,450	3,161,836
A substantial shareholder	-	-	25,747	23,882

15. EVENTS AFTER THE REPORTING PERIOD

On 20 July 2018, TCL King Electrical Appliance (Huizhou) Company Limited ("TCL King Electrical", a subsidiary of the Company) and TCL Intelligence Industry (Huizhou) Company Limited ("TCL Intelligence Industry", a wholly-owned subsidiary of TCL Corporation) entered into the sale and purchase agreement, pursuant to which, among others, TCL King Electrical shall purchase the Assigned Equipment (as defined in the announcement of the Company dated 20 July 2018) from TCL Intelligence Industry subject to and in accordance with the terms and condition therefor with consideration amounting RMB15,494,434.63 (equivalent to approximately HK\$18,377,948.91).

On 16 August 2018, the Company and Sunshine 100 China Holdings Ltd ("Sunshine 100 China", a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on Main Board of the Hong Kong Stock Exchange (Stock Code: 02608)) entered into the Platform Cooperation Agreement (as defined in the announcement of the Company dated 17 August 2018), pursuant to which the Company and Sunshine 100 China agreed to jointly establish a joint venture ("Joint Venture") through their respective designated subsidiary(ies) established in the mainland China as a management platform for sharing intelligentized operational network, and enter into the field of smart apartment sharing operation through the Joint Venture. According to the terms of the Platform Cooperation Agreement, the registered capital of the Joint Venture would be RMB50,000,000, in which RMB25,500,000, i.e. 51% of the total registered capital, would be contributed by Sunshine 100 China's designated subsidiary(ies) established in the mainland China and RMB24,500,000, i.e. 49% of the total registered capital, would be contributed by the Company's designated subsidiary(ies) established in the mainland China.

INTERIM RESULTS

15. EVENTS AFTER THE REPORTING PERIOD (continued)

On 31 July 2018, the registration/filing of change of particulars for the acquisition (the "Acquisition") of 100% equity interest in TCL Commercial Information Technology (Huizhou) Co., Ltd. ("CI Tech") as contemplated under the equity transfer agreement dated 1 June 2018 (the "Equity Transfer Agreement") between TCL King Electrical and Shenzhen TCL New Technology Company Limited ("TCL New Technology") (the "Purchasers", both are subsidiaries of the Company) and TCL Corporation, Ningbo Yuanheng Juyuan Investment Partnership (Limited Partnership) and Huizhou Guanlian Industrial Investment Co., Ltd. (the "Vendors") with the competent industrial and commercial authority had been completed and the consideration payable by the Purchasers to the Vendors for the Acquisition pursuant to the Equity Transfer Agreement had been fully settled on 31 July 2018. CI Tech became a subsidiary of the Company and the financial results of CI Tech had been consolidated into the consolidated financial statements of the Group with effect from 1 August 2018.

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 24 August 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW FOR THE SIX MONTHS ENDED 30 JUNE 2018

In the first half of 2018, as the FIFA World Cup craze drove up demand for televisions and stimulated market consumption, plus the downward adjustment of panel price, the global television market saw a rebound trend. According to the latest Sigmaintell data, the sales volume of global TV market increased by 8.1% year-on-year in the first half of 2018. CMM's omni-channel report showed that the overall TV sales volume in the PRC market rose by 0.7% year-on-year. The Group's performance in the first half year sustained rapid and steady growth. For the six months ended 30 June 2018, the profit attributable to owners of the parent substantially increased by 278.6% to HK\$572 million, which was mainly attributable to:

1. The significant increase in both the sales volume and revenue of LCD TVs in the first half of 2018, amongst which the sales volume growth rate once again hit a new five-year high. The PRC market and the overseas markets maintained a steady growth. Particularly, the overseas markets performed extremely well, in which the North American market kept a stable growth, the emerging markets continued to develop rapidly, and the European market grew significantly;
2. The substantial improvement of the Group's product competitiveness, and continuous optimization of the Group's product mix;
3. The significant increase in the gross profit margin of self-branded products in both the PRC market and the overseas markets with the benefits from the continuous decline in panel prices in the first half of 2018;
4. The significant drop in the overall expense ratio as a result of the Group's continuous effort on cost reduction and efficiency enhancement, as well as the apparent advantages of the economies of scale; and
5. The one-off gain recorded as a result of the asset transfer (including club membership) by the Group which was completed on 28 June 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Renamed “TCL Electronics” and Began New Era of Diversification and Intelligent Manufacturing

In order to better reflect the Company’s determination in strategic transformation and business diversification, the Company was officially renamed “TCL Electronics Holdings Limited” from “TCL Multimedia Technology Holdings Limited” on 23 May 2018. By virtue of its industry-leading competitive edge, the Company consolidated and expanded its existing TV business while developing diverse businesses, such as Smart AV, commercial display and Smart Home, in order to expand new profit growth opportunities and empower itself to become an international conglomerate in the electronics industry.

Sales Volume Growth Rate Again Hit a New Five-Year High

Coping with the fierce market competition, the Group, as a pioneer in the global TV industry, is committed to its premium product strategy and deep cultivation in overseas markets, and its sales volume growth rate again hit a five-year record high. The sales volume of LCD TVs exceeded the 10.00 million sets mark to reach 13.17 million sets in the first half of 2018, with a 37.2% surge year-on-year, which represents the completion of 51.5% of its annual sales target of 25.60 million sets. The sales volume in both the PRC and overseas markets maintained steady growth.

Operating Results Greatly Enhanced

For the six months ended 30 June 2018, the Group recorded a turnover of HK\$21.05 billion, representing an increase of 23.7% year-on-year; the gross profit increased by 22.6% year-on-year to HK\$3.22 billion and the gross profit margin remained flat at 15.3%. Remaining steadfast in cost reduction and efficiency enhancement achieved remarkable results. The Group recorded a significant drop in the overall expense ratio from 13.7% in the corresponding period of last year to 12.6%, which hit a record low since 2003. Benefitting from the steady growth of the PRC market and the outstanding results in both sales volume and profit in the overseas markets, operating profit was HK\$762 million and net profit after tax was HK\$571 million in the first half of the year. Including the one-off net gain of HK\$155 million recorded from assets transfers such as club membership, profit attributable to owners of the parent amounted to HK\$572 million, hitting a historic high for the first half of the year and representing a significant increase of 278.6%. Basic earnings per share was HK26.72 cents. The Board resolved to declare an interim dividend for the six months ended 30 June 2018 of HK9.80 cents per share, with dividend payout ratio of 40%.

MANAGEMENT DISCUSSION AND ANALYSIS

Maintained Leading Market Position

According to the latest Sigmaintell data, the Group ranked No. 3 in the global TV market with a market share of 11.8% in the first half of 2018. According to CMM omni-channel data, the Group ranked No. 3 in the PRC TV market with a market share of 11.4% and 12.9% in terms of sales volume and turnover respectively.

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

	2018 1H ('000 sets)	2017 1H ('000 sets)	Change	2018 Q2 ('000 sets)	2017 Q2 ('000 sets)	Change
Sales Volume of LCD TVs						
Total	13,173	9,603	37.2%	6,799	4,901	38.7%
– PRC market	4,889	3,867	26.4%	2,459	1,651	48.9%
– Overseas markets	8,285	5,737	44.4%	4,340	3,251	33.5%
Of which: Smart TVs	9,383	6,120	53.3%	4,743	3,031	56.5%
4K TVs	3,773	2,227	69.4%	1,956	1,128	73.5%

	Accumulated total as of 30 June						
	2018	June 2018	June 2017	Change	1H 2018	1H 2017	Change
Number of TCL activated smart TV users⁽¹⁾	27,354,256	648,862	408,528	58.8%	3,817,734	3,013,953	26.7%
Average daily number of active users^{(2) (3)}	N/A	12,814,096	9,169,637	39.7%	N/A	N/A	N/A

Number of TCL

activated smart TV

users⁽¹⁾ **27,354,256** **648,862** 408,528 58.8% **3,817,734** 3,013,953 26.7%

Average daily number

of active users^{(2) (3)} **N/A** **12,814,096** 9,169,637 39.7% **N/A** N/A N/A

Notes:

- (1) Number of TCL activated smart TV users refers to the number of users who have used the internet TV web service at least once
- (2) Average daily number of active users refers to the number of unrepeated individual users who visit within 7 days
- (3) Data for June 2018

MANAGEMENT DISCUSSION AND ANALYSIS

PRC Market

Product Mix Improved, Profitability Enhanced

Sales volume significantly increased year-on-year and exceeded the industry average: Committed to its premium product strategy, the Group continued to improve its product mix and product competitiveness. According to CMM's omni-channel data, the overall TV sales volume in the PRC TV market rose by 0.7% year-on-year in the first half of 2018. The Group's LCD TV sales volume increased year-on-year by 26.4% to 4.89 million sets in the first half of 2018, significantly outperforming the industry average level. Through product mix optimization and the efficiency improvement resulted from precision marketing, the proportion of the Group's online sales volume in the PRC market increased to 35.0% of the total, grew by 13.3 percentage points year-on-year.

Turnover increased year-on-year: In the first half of 2018, the Group's LCD TV sales revenue in the PRC market increased by 2.6% year-on-year to HK\$8.77 billion.

Average selling price continued to rise year-on-year: According to CMM omni-channel data, the average selling price in the TV industry declined by 6.6% year-on-year. Owing to the enhanced product competitiveness and optimized product mix, the average selling price of the Group's LCD TVs in the PRC market (excluding ODM business) in the first half of the year increased by 3.0% year-on-year.

Gross profit margin rose year-on-year: Benefitting from further enhancement in product mix and continuous decline in panel prices in the first half of 2018, the gross profit margin for the Group's LCD TVs in the PRC market (excluding ODM business) increased significantly by 1.4 percentage points to 23.5% in the first half of the year. Of which, the gross profit margin for LCD TVs (excluding ODM business) in the first and second quarters were 23.3% and 23.8% respectively, increasing period over period.

Remarkable growth in operating results: Fuelled by significant improvement in product competitiveness, cost reduction and efficiency enhancement, the Group's operating results in the PRC market surged by 170.3% year-on-year to HK\$243 million in the first half of the year, among which the profit generated by online channels recorded a remarkable year-on-year increase as well.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group continuously enhanced its product mix in the PRC market in the first half of 2018 (the data below excluded ODM business):

- Smart TV sales volume reached 2.47 million sets, accounting for 81.5% of LCD TV sales volume, increasing by 6.4 percentage points from 75.1% in the first half in 2017.
- 4K TV sales volume was 1.61 million sets, accounting for 53.2% of LCD TV sales volume and rising by 12.6 percentage points from 40.6% in the first half in 2017.
- Proportion of TVs with screen size of 55 inches and above rose from 35.3% in the corresponding period of last year to 42.7%.
- Average size of LCD TVs increased from 45.5 inches in the corresponding period of last year to 47.1 inches.
- Market share of curved TVs jumped to 35.3%, maintaining the No.1 position in PRC (source: CMM's omni-channel data).

TV Brand Price Index Ranked No.1 in the PRC

The Group is committed to optimizing product mix and enhancing product competitiveness. According to CMM's omni-channel data, the average selling price of the Group's TVs was well above the industry average level. The Group's TV brand price index increased from 99 in the first half of 2017 to 113 in the first half of 2018, ranking No.1. The Group's market share of TV in the PRC was 11.4% and 12.9% in terms of sales volume and turnover respectively, both ranking No.3 in the PRC market.

MANAGEMENT DISCUSSION AND ANALYSIS

Overseas Markets

Growing Momentum of Scale of Sales, Outstanding Results in Both Sales Volume and Profit

Accelerating Global Brand Building, Sales Volume Increased Remarkably in Key Countries

By leveraging years of dedicated effort in developing key overseas markets, optimizing product mix, enhancing product competitiveness, and integrating with the advantages brought by its vertically integrated supply chain, the Group managed to establish a distinct competitive edge in overseas markets, driving the continuous sales volume surge in several regions in overseas markets. Of which, the North American market sustained steady growth and emerging markets maintained rapid growth momentum. The European markets achieved remarkable year-on-year growth, with regions including France, Spain and Poland strongly driving up sales volume, making overseas markets an important growth engine of the Group.

Appointed Football Star Neymar Jr. as Global Brand Ambassador, Fueled FIFA-related Spending Spree

Tapping into the FIFA World Cup craze, on 17 April 2018, the Group appointed the world-renowned Brazilian professional football player Neymar Jr. as “Global Brand Ambassador”, with the aim of exploring European markets and emerging markets represented by South America, and further enhancing the brand value of TCL on the international stage.

Sales volume and turnover both skyrocketed: Benefitting from persistently developing and penetrating key overseas markets, the Group sold 8.28 million sets of LCD TVs in overseas markets in the first half of the year, grew by 44.4% year-on-year, with turnover reaching HK\$12.18 billion, surged by 45.3% year-on-year.

Average selling price continued to rise: Benefitting from constant improvement in product mix, average selling price of the Group’s LCD TVs in overseas markets (excluding ODM business) in the first half of the year increased by 4.7% year-on-year.

Gross profit margin achieved notable improvement: Benefitting from reduction in panel prices and optimized product mix, gross profit margin of the Group’s LCD TVs in overseas markets in the first half of the year increased by 0.4 percentage points to 11.7%, of which the gross profit margin of self-branded products achieved a significant year-on-year rise of 2.0 percentage points to 14.1%.

MANAGEMENT DISCUSSION AND ANALYSIS

Notable growth in operating results: With the benefits of enhanced product mix, improved efficiency and evident economies of scale, the operating results of the Group in overseas markets in the first half of the year surged by 77.7% to HK\$375 million in the first half of 2018.

In the first half of 2018, the Group's sales performance in overseas markets continued to improve:

- The North American market sustained steady growth with LCD TV sales volume increasing by 26.8% year-on-year. In the first half of 2018, the market ranking of sales volume jumped to 3rd position from 5th position in the corresponding period last year (data source: NPD);
- Emerging markets maintained rapid growth momentum with LCD TV sales volume increasing by 51.5% year-on-year. In particular, Brazilian market continued to deliver stunning results, with sales volume markedly improved by 82.0% year-on-year. In the first half of 2018, the Group ranked 3rd in the Philippines, 4th in Vietnam, and 5th in Thailand and Australia in terms of sales volume (data source: GfK); and
- In the European markets, LCD TV sales volume surged by 73.0% year-on-year. with regions including France, Spain and Poland strongly driving up the sales volume. In particular, the market ranking of sales volume in France in the first half of 2018 rose to 3rd position from 4th position in the corresponding period of last year (data source: GfK).

In the first half of 2018, the proportion of sales volume of mid-to-high-end products continued to rise alongside continued product mix optimization in overseas markets (the data below excluded ODM business):

- Proportion of Smart TVs rose from 77.0% in the first half of 2017 to 82.4% in the first half of 2018.
- Proportion of 4K TVs increased from 19.3% in the first half of 2017 to 34.9% in the first half of 2018.
- Proportion of LCD TVs with screen size 55 inches or above rose from 16.3% in the first half of 2017 to 24.0% in the first half of 2018.
- The average size of LCD TVs increased from 38.5 inches in the first half of 2017 to 41.3 inches in the first half of 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Internet business

In the first half of 2018, the Group continued to enhance platform development and users operation, strengthened cooperation with partners for mutual benefits, fully promoted the “Smart + Internet” new business model and constructed a smart TV ecosystem, thereby raising its competitiveness within the industry.

Continued to Expand User Base and Enhanced User Loyalty

As at 30 June 2018, the accumulated number of TCL activated smart TV users of the Group totaled 27,354,256, and the average daily number of active users in June 2018 increased by 39.7% year-on-year to 12,814,096. The user base of the Internet TV business continued to demonstrate marked growths, of which:

- Video-on-demand business totaled 24.39 million users, increased by 25.8% when compared to the first half of 2017;
- Paid business totaled 2.7 million users, grew by 90.1% when compared to the first half of 2017; and
- Average daily spending time of users on TV reached 5.15 hours, which rose by 5.1% year-on-year. By adopting delicacy management practice in users operation, user loyalty had strengthened.

Operation Strength Enhanced with Notable Monetization Capability

By consolidating online and offline channel resources, expanding the scale of users and enhancing the proportion of operational user-end terminals, the Group expanded revenue streams in areas such as advertising, video-on-demand, membership and enhanced its monetization capability of services. It also boosted sales of membership card and motivated the pay-to-view habit among users and continued to optimize its revenue structure, plus extended its income stream to covering overseas markets. The monetization capability of the Internet business was continuously enhanced, achieving turnover of approximately RMB126 million in the first half of 2018, grew by 318.2% year-on-year. Of which, turnover for advertising business was approximately RMB60.92 million, a quantum leap of 311.1% from the corresponding period of last year. Turnover for paid business also skyrocketed by 246.3% to approximately RMB52.94 million, accounting for 41.9% of the total turnover.

MANAGEMENT DISCUSSION AND ANALYSIS

Strengthened Mutually Beneficial Cooperation with Partners

In the first half of 2018, Shenzhen Thunderbird Network Technology Company Limited (“Thunderbird Technology”, an associate of the Company) which is engaged in Internet business segment of the Group actively deepened its strategic cooperation with various companies such as South New Media and Tencent, focusing on users operation enhancement and enriching the platform content as well as pushing forward with the establishment of Artificial Intelligence (A.I.) platform and an Internet-based TV platform and optimizing its “product + content + service” system, thereby improving overall user experience. In May 2018, JD.com expressed an intention to invest RMB300 million in Thunderbird Technology. Both parties will integrate their resources and generate synergies to fully capture the tremendous opportunities brought by the rapid development of large screen TV ecosystem. In July 2018, Thunderbird Technology announced the establishment of a joint venture with South New Media to strengthen the “1+1+N” strategic cooperation model, which demonstrated a move to kickoff their cooperation for the online TV ecosystem.

Research and Development

Since 2018, the Group has continued to focus on quantum dot and other cutting-edge technologies to launch a variety of mid-to-high-end products that formed a strong portfolio to satisfy the diverse needs of consumers, and strengthened its brand and product competitiveness. To enhance the personalized product experience of users, the Group has been devoted to the research and development of A.I. technology, aiming to inject fresh energy into its various product series, and striving to develop TVs into an important smart terminal of future homes.

Regarding A.I. technology, the Company established a joint A.I. design center with TCL Corporate Research to accelerate the application of A.I. technology in products. The Group took the lead in establishing an open A.I. technological framework in the TV industry, which can connect to various businesses and realize autonomous control based on users’ intention, thereby enriching user experience and at the same time cultivating user habit to use large-screen TVs as internet terminals. The new generation smart engine has been adopted in smart products, which has expanded the application from TV, film, music, and encyclopedia to daily services. It also adds more diversified functions, such as navigation, search for popular attractions, gourmet recommendations and ticketing service, on top of multi-turn dialogue, celebrity identification and natural language interaction.

MANAGEMENT DISCUSSION AND ANALYSIS

In the overseas markets, the Group has adopted Google A.I. (Google Assistant) engine in its Android-based smart devices to actively expand the application of A.I. technology overseas. Also, the Group has completed its self-developed TV middleware TV+OS and continued to develop new iterations and upgrades. With first-mover advantages of leading technology and global digital network certification in the overseas market, the Group has achieved comprehensive product coverage abroad. In the future, based on the existing open A.I. structure, it will strive to integrate the smart TV with smart speaker to pave way for development and application of A.I. technology in the TV sector, leading to further optimization of the A.I. scene experience and application service capability and enhanced product competitiveness through strengthening cooperation with industry giants.

Regarding high-end products, the Group launched the “TCL X5” series TV products, encompassing three major characteristics: high color gamut, pure chroma and long-lasting hues. In addition, the C6 new theatre TV series, adopting the full “star screen” design and Harman Kardon audio system, was bestowed the “2018 CES ASIA Innovation Award” by The Consumer Technology Association in CES Asia. On the other hand, the P5 ultra-slim new curved screen series are specially designed for young generations that pursue fashion styles. The above-mentioned three new product series are all equipped with the “TCL A.I. 2.0 plus” A.I. technology, providing authentic customised content recommendation capacity, thereby ensuring information and services are more accurately available to users.

The Group’s innovative R&D capability is well-recognized internationally by the industry. TCL won the “China Innovation Brand Award” at the 2018 International Consumer Electronics Show in Las Vegas, the United States, and its flagship new TV product series X5, C6 and P5 won the “China Innovative Product Award”, showing to the world the intelligent manufacturing capability of consumer electronics brands of China. In particular, C6 series obtained the highly renowned EISA Award in the internationally acclaimed IFA Berlin in August this year and the R6 series has received highly favorable recommendations from testing organizations in North America. Furthermore, the smart TV products gained certification from BBC Free View Play 2018 and DUK in the UK, which could help promote the expansion of high-end smart TVs in the UK and other markets in Europe. At the 2017-2018 Global Top Brands Award Ceremony, organised by IDG, the Group has once again clinched three awards including “2017-2018 Top 10 Consumer Electronics Brands”, “2017-2018 Global TV Brands Top 15” and “2017-2018 Global Top 50 Consumer Electronics Brands”, fully reflecting the brand strength of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Outlook

In the second half of the year, guided by the strategy of “lead with products, innovate with technology, increase user loyalty, reform channels, pursue operational excellence, and operate globally”, the Group will continue to leverage its integration advantage in industry chain and first mover advantage in globalization, enhance product competitiveness and Internet business capability, deepen implementation of business diversification strategy, establish a smart home ecosystem, actively explore new profit growth opportunities and ultimately create greater value for shareholders.

1. *New Deployment of Strategic Transformation and Diversified Business Model*

The Company is determined to actively deploy strategy for business diversification under its new name TCL Electronics. It obtained global brand authorization (excluding Japan) from Japan’s Onkyo Corporation, established TCL Entertainment Solutions Limited, and formally explored the smart AV market. Moreover, the Group actively seized the opportunity to fill the huge demand gap of commercial displays in the new economic era. The Group completed the acquisition of CI Tech, entering the blue ocean market of commercial and high-end display, offering customers integrated intelligent solutions, and achieving “B2B and B2C dual-track development” as a way to boost its overall profitability. In the future, the Group will integrate the internal and external quality business assets of TCL Corporation and its subsidiaries (“TCL Corporation Group”) in respect of household appliances and further strengthen the linkage among product technologies, industrial chain, branding and international business, making it an internationally leading brand of consumer and household electronic products with its comprehensive global network and channels as well as competitive edge in overseas markets.

2. *Establish an International High-end Brand and Enhance Global Business Strategy*

While continuously improving the competitiveness of its business in the PRC market, the Group will be more aggressive in expanding overseas markets. The Group will consolidate the North American and South American markets, increase market share and profitability in Europe and Southeast Asia, explore emerging markets such as India and Russia, capitalize on innovative marketing initiatives in sports and entertainment to increase TCL’s global market share and brand competitiveness, and strengthen its business on a global scale.

MANAGEMENT DISCUSSION AND ANALYSIS

3. *“Products + Services” Strategy Drives Technological Innovation and “Intelligence + Internet” Strategy Creates Smart Home Ecosystem*

The Group will continue to invest in research and development, set up a blueprint for the future, actively promote advanced technologies of quantum dot display and A.I. technology, expand Internet business, continuously enhance “products + services” operational capabilities, and comprehensively improve product competitiveness and user experience, enlarge the scale of users and boost the monetization capability of businesses. On the other hand, the Group will continuously pursue its “intelligence + internet” strategy to actively expand the smart home market and develop an all-encompassing smart home ecosystem through smart items, smart home systems and softwares, smart community platform services and so on, in a bid to achieve the interconnection of IoT scenarios.

4. *Enhance Core Competitiveness and Operational Efficiency*

The Group will continuously strengthen its R&D capability, and enhance product competitiveness and diversification. Through vertical integration of the supply chain and intelligent automated manufacturing, the Group will enhance industrial manufacturing capability and efficiency; persistently pursue reform and transformation; continuously optimize business and processes, and firmly implement cost reduction and efficiency enhancement, thereby greatly enhancing operational efficiency and effectiveness, and improving overall profitability.

The Group is accelerating its strategic transformation and steadily promoting diversified development. Looking ahead, it will continue to pursue synergies across multiple industries within TCL Corporation Group and leverage the advantages of vertical integration with Shenzhen China Star Optoelectronics Technology Co., Ltd (“CSOT”), with the aim of providing users with the best-in-class products and services, enhancing overall profitability and integrated competitiveness, empowering itself to become an international conglomerate in the electronics industry and creating value for shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Completion of Rights Issue

References are made to the prospectus (the “Prospectus”) of the Company in relation to the rights issue dated 28 December 2017 and the announcements dated 28 November 2017, 9 January 2018, 18 January 2018 and 25 January 2018 of the Company in relation to allotting and issuing 582,544,371 rights shares (the “Rights Shares”) at the subscription price of HK\$3.46 per Rights Share on the basis of one Rights Share for every three ordinary shares held on the 27 December 2017 (the “Rights Issue”). As at 4:00 p.m. on Friday, 12 January 2018, being the latest time for acceptance of applications for the rights shares as set out in the Prospectus, in aggregate, a total of 179 valid acceptances and applications in respect of 1,656,946,129 Rights Shares had been received, representing approximately 284.43% of the total number of 582,544,371 Rights Shares available under the Rights Issue. Accordingly, the Rights Issue was over-subscribed by 1,074,401,758 Rights Shares. On 26 January 2018, the Company allotted and issued 582,544,371 Rights Shares.

In accordance with the terms of the underwriting agreement (the “Underwriting Agreement”) dated 28 November 2017 entered into between the Company and BNP Paribas Securities (Asia) Limited as the underwriter and given the over-subscription for the Rights Shares, the obligations of the underwriter in respect of the Rights Shares not taken up have been fully discharged and the underwriter is not required to take up any Rights Shares. For further details, please refer to the Prospectus and announcements of the Company.

Please also refer to the paragraph headed “The Use of Proceeds from the Rights Issue” under the Section “OTHER INFORMATION” regarding the use of proceeds from the Rights Issue.

Significant Investments, Acquisitions and Disposals

On 23 March 2018, TTE Corporation, a wholly-owned subsidiary of the Company, entered into a subscription agreement with TCL Ventures Inc., a wholly-owned subsidiary of T.C.L. Industries Holdings (H.K.) Limited (“T.C.L. Industries”), as a general partner, pursuant to which TTE Corporation agreed to make a capital commitment of USD15 million (equivalent to approximately HK\$117 million) into TCL Ventures Fund L.P., an exempted limited partnership formed in the Cayman Islands, constituting approximately 20% of its total capital commitment. In addition, TCL New Technology, a subsidiary of the Company, entered into a partnership agreement (the “PRC Partnership Agreement”) with Huizhou TCL Kaichuang Enterprise Management Co., Ltd. (indirectly owned as to 50% by TCL Corporation) as a general partner and TCL Corporation and CSOT as limited partners, in relation to the establishment of Shenzhen TCL Strategic Share Investment Fund Limited Partnership (Limited Partnership), a fund established in the PRC (the “PRC Investment Fund”). Pursuant to the PRC Partnership Agreement, TCL New Technology agreed to make a capital commitment of RMB40 million (equivalent to approximately HK\$49 million) into the PRC Investment Fund, constituting approximately 19.9% of its total capital commitment.

MANAGEMENT DISCUSSION AND ANALYSIS

On 27 April 2018, Thunderbird Technology and Beijing Jingdong Century Trading Company Limited (“JD.com”) have reached a consensus on cooperation in relation to the proposed capital contribution of RMB300 million to Thunderbird Technology by JD.com so as to acquire equity interests in Thunderbird Technology after such proposed capital increase. The terms of the proposed capital increase shall be subject to the obtaining of all necessary company approvals and negotiation by the parties concerned and the approval, execution and delivery of the definitive transaction documents by the parties concerned.

On 10 May 2018, TCL New Technology entered into the sale & purchase agreement with TCL Technology Industrial Park (Shenzhen) Co., Ltd. (“TCL Industrial Park”, a subsidiary of TCL Corporation), pursuant to which TCL New Technology agreed to transfer the Assets and the Business (as defined in the announcement of the Company dated 10 May 2018) to TCL Industrial Park, and that the TCL Industrial Park agreed to acquire the Assets and the Business and to assume the Liabilities (as defined in the announcement of the Company dated 10 May 2018), at a consideration of RMB328,964,988.18 (equivalent to approximately HK\$407,291,551.87). The transaction was completed on 28 June 2018.

On 18 May 2018, TCL New Technology entered into the capital increase agreement with Lerong Zhixin Electronic Technology (Tianjin) Co., Ltd. (“Lerong Zhixin”), Leshi Internet Information and Technology Corp., Beijing and Tianjin Jiarui Huixin Corporate Management Co., Ltd., pursuant to which, among others, TCL New Technology agreed to make a capital contribution of RMB0.3 billion to Lerong Zhixin subject to the terms and conditions thereof. Upon completion of the capital increase, the Company’s interest in Lerong Zhixin through TCL New Technology would be approximately 2.71%.

On 1 June 2018, TCL King Electrical and TCL New Technology, (the “Purchasers”, both are subsidiaries of the Company) and TCL Corporation, Ningbo Yuanheng Juyuan Investment Partnership (Limited Partnership) and Huizhou Guanlian Industrial Investment Co., Ltd. (the “Vendors”) entered into the equity transfer agreement, pursuant to which the Purchasers conditionally agreed to acquire from the Vendors and the Vendors conditionally agreed to transfer to the Purchasers regarding to 65%, 20%, and 15% of equity interest in CI Tech at a consideration of RMB793,020,340.79 which shall be settled in cash. Upon completion of the acquisition, CI Tech would become a subsidiary of the Company. The transaction was completed on 31 July 2018.

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

MANAGEMENT DISCUSSION AND ANALYSIS

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 2018 amounted to approximately HK\$5,655,669,000, of which 1.6% was maintained in Hong Kong dollars, 43.3% in US dollars, 52.3% in Renminbi, 1.4% in Euros and 1.4% 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 2017. No fixed assets of the Group was held under finance leases as at 30 June 2018 (the net carrying amounts of the Group's fixed assets held under finance lease included in the total amounts of furniture, fixtures and equipment and motor vehicles as at 31 December 2017 amounted to approximately HK\$2,967,000 and HK\$1,791,000, respectively).

As at 30 June 2018, the Group's gearing ratio was 0% since the Group's cash and bank balances of approximately HK\$5,655,669,000 were higher than the total interest-bearing borrowings of approximately HK\$499,464,000. The maturity profile of the borrowings ranged from one to three years.

Pledge of Assets

As at 30 June 2018, no asset of the Group was pledged (31 December 2017: Nil).

Capital Commitments and Contingent Liabilities

As at 30 June 2018, the Group had capital commitments of approximately HK\$1,764,511,000 (31 December 2017: HK\$284,396,000) and HK\$267,399,000 (31 December 2017: HK\$269,823,000) 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 2017 annual report.

Pending Litigation

The Group was not involved in any material litigation as at 30 June 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Foreign Exchange Exposure

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

It is the Group's policy to centralise foreign currency management to monitor its total foreign currency exposure, to net off affiliate positions and to consolidate hedging transactions with banks. The Group emphasises the importance of trading, investing and borrowing in functional currency to achieve natural hedging. In addition, in line with the aim of prudent financial management, the Group does not engage in any high risk derivative trading or leveraged foreign exchange contracts.

Employee and Remuneration Policy

As at 30 June 2018, the Group had a total of 24,100 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. As a result of the Rights Issue, adjustments had been made to the exercise price and the number of shares falling to be allocated and issued in respect of the outstanding share options in accordance with the terms of the 2007 share option scheme and the 2016 share option scheme adopted on 15 February 2007 and 18 May 2016 respectively. The exercise price and number of shares that could be subscribed for under the outstanding share options had been adjusted with effect from 26 January 2018.

Options for subscribing a total number of 256,655,458 shares remained outstanding as at 30 June 2018.

A restricted share award scheme (the "Award Scheme") was also adopted by the Company on 6 February 2008 and was amended on 11 August 2015, 13 June 2016, 24 November 2017 and 23 May 2018 respectively. Pursuant to the Award Scheme 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

No particulars of the Directors have been changed since the published date of annual report 2017 of the Company, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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

As at 30 June 2018, the interests and short positions of the Directors and chief executive of the Company 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 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 interested or deemed to be interested			Number of underlying shares interested or deemed to be interested under equity derivatives		Total	Approximate percentage of the number of issued shares of the Company (Note 2)
	Personal interests	Spouse personal interests	Other interests (Note 1)	Personal interests	Spouse interests		
LI Dongsheng	52,074,853	5,413,133	1,231,878	7,312,235	504,895	66,536,994	2.85%
WANG Cheng Kevin	589,439	-	1,809,803	7,262,284	-	9,661,526	0.41%
WANG Yi Michael	1,831,792	-	1,050,785	5,509,395	-	8,391,972	0.36%
YAN Xiaolin	128,278	-	169,172	1,970,324	-	2,267,774	0.10%
Albert Thomas DA ROSA, Junior	63,333	-	44,778	315,907	-	424,018	0.02%
HUANG Xubin	1,200,353	-	170,143	1,260,138	-	2,630,634	0.11%
ZHANG Zhiwei	-	-	44,778	236,301	-	281,079	0.01%
LIU Hong	-	-	44,778	198,688	-	243,466	0.01%
Robert Maarten WESTERHOF	30,000	-	44,778	315,907	-	390,685	0.02%
WANG Yijiang	-	-	44,778	242,260	-	287,038	0.01%
LAU Siu Ki	-	-	44,778	236,301	-	281,079	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 issued share capital of TCL Corporation (Note 4)
	Personal interests	Corporate interests			
LI Dongsheng	638,273,688	408,899,521	–	1,047,173,209	7.73%
YAN Xiaolin	599,500	–	–	599,500	0.004%
HUANG Xubin	3,383,380	–	–	3,383,380	0.02%

(C) Interests in Associated Corporation of the Company – Long Positions**Tonly Holdings** (Note 5)

Name of Director	Number of ordinary shares interested or deemed to be interested			Number of underlying shares interested or deemed to be interested under equity derivatives		Total	Approximate percentage of the number of issued shares of Tonly Holdings (Note 6)
	Personal interests	Spouse personal interests	Other interests (Note 7)	Personal interests	Spouse interests		
LI Dongsheng	633,691	22,775	107,736	1,214,852	178,868	2,157,922	0.80%
WANG Cheng Kevin	6,964	–	3,023	33,463	–	43,450	0.02%
YAN Xiaolin	18,638	–	35,438	226,098	–	280,174	0.10%
HUANG Xubin	18,987	–	35,976	230,068	–	285,031	0.11%

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

China Display (Note 8)

Name of Director	Number of ordinary shares interested or deemed to be interested		Number of underlying shares interested or deemed to be interested under equity derivatives	Total	Approximate percentage of the number of issued shares of China Display (Note 9)
	Personal interests	Other interests			
LI Dongsheng	5,164,499	–	–	5,164,499	0.25%

Notes:

- These interests are restricted shares that have been granted to the relevant Directors under the Award Scheme of the Company and were not vested as at 30 June 2018. Further, the restricted shares that have been granted to the spouse of the relevant Directors under the share award scheme of the Company are included.
- The percentages are calculated based on the number of issued shares of the Company as at 30 June 2018, i.e. 2,333,388,113 Shares.
- TCL Corporation, a joint stock company established under the laws of the PRC, is the ultimate controlling shareholder of the Company.
- The percentages are calculated based on the issued share capital of TCL Corporation as at 30 June 2018, being 13,549,648,507 in issue, as informed by TCL Corporation.
- 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.

OTHER INFORMATION

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

Notes: (continued)

6. The percentages are calculated based on the number of issued shares as of 30 June 2018 disclosed by Tonly Holdings on the website of the Hong Kong Stock Exchange.
7. These interests are awarded shares that have been granted to the relevant Directors under the award scheme of Tonly Holdings and were not vested as at 30 June 2018. Further, the restricted shares that have been granted to the spouse of the relevant Directors under the share award scheme of Tonly Holdings are included.
8. China Display Optoelectronics Technology Holdings Limited ("China Display") is a subsidiary of TCL Corporation and hence an associated corporation of the Company under Part XV of the SFO.
9. The percentages are calculated based on the number of issued shares as of 30 June 2018 disclosed by China Display on the website of the Hong Kong Stock Exchange.

Save as disclosed above, as at 30 June 2018, 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 2018, 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 the number of issued shares of the Company (Note 1)
TCL Corporation (Note 2)	Interest of controlled corporation	1,224,181,639 (Note 3)	52.46%
SUN Hongbin	Interest of controlled corporation	348,850,000 (Note 4)	14.95%
WANG Peng ("Mr. WANG")	Interest of controlled corporation	348,850,000 (Note 4)	14.95%
ZHENG Fu ("Mr. ZHENG")	Interest of controlled corporation	348,850,000 (Note 4)	14.95%
Sunac China Holdings Limited ("Sunac China")	Interest of controlled corporation	348,850,000 (Note 4)	14.95%
Sunac International Investment Holdings Ltd	Interest of controlled corporation	348,850,000 (Note 4)	14.95%
Tianjin Yingrui Huixin Corporate Management Co., Ltd ("Tianjin Yingrui")	Interest of controlled corporation	348,850,000 (Note 4)	14.95%

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 the number of issued shares of the Company (Note 1)
Leshi Internet Information and Technology Corp., Beijing (樂視網信息技術(北京)股份有限公司)	Interest of controlled corporation	348,850,000 (Note 5)	14.95%
Lerong Zhixin Electronic Technology (Tianjin) Limited (樂融致新電子科技(天津)有限公司) (Note 6)	Interest of controlled corporation	348,850,000 (Note 5)	14.95%
Letv Zhixin Investment (HK) Ltd. (樂視致新投資(香港)有限公司)	Beneficial owner	348,850,000 (Note 5)	14.95%

Notes:

- 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 2018, being 2,333,388,113 shares in issue.

OTHER INFORMATION

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

Long position in shares of the Company (continued)

Notes: (continued)

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 a chairman and chief executive officer of TCL Corporation;
 - (b) 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;
 - (c) Mr. WANG Cheng Kevin is a senior vice president of TCL Corporation;
 - (d) Mr. WANG Yi Michael is a vice president of TCL Corporation; and
 - (e) Mr. HUANG Xubin is an executive director, a member of the executive committee and chief financial officer of TCL Corporation.
3. TCL Corporation was deemed to be interested in 1,224,181,639 shares held by T.C.L. Industries, 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 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 Yueting and Lerong Zhixin under which, among others, Tianjin Jiarui conditionally agreed to acquire in aggregate 33.4959% equity interest in Lerong Zhixin.
5. A subscription agreement was entered into between the Company and Lerong Zhixin on 11 December 2015. According to the terms and subject to the conditions of the subscription agreement, Lerong 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 EGM on 14 January 2016 and the subscription was completed on 11 May 2016.
6. Lerong Zhixin was formerly known as Leshi Zhixin Electronic Technology (Tianjin) Limited (樂視致新電子科技(天津)有限公司) and XinLeShi Zhijia Electronic Technology (Tianjin) Limited (新樂視智家電子科技(天津)有限公司).

OTHER INFORMATION

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

Save as disclosed above, as at 30 June 2018, 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.

OTHER INFORMATION

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

During the six months ended 30 June 2018, the Company has granted share options under its share option scheme to grantees who are Directors and spouse of a Director, details as follows:

Grant Date	Name of Director/spouse of Director	Number of shares to be subscribed under the share option
23 January 2018	BO Lianming (<i>Note 2</i>)	4,301,397
	WANG Cheng Kevin	4,301,397
	WANG Yi Michael	2,150,700
	YAN Xiaolin	116,442
	Albert Thomas DA ROSA, Junior	116,442
	HUANG Xubin	116,442
	ZHANG Zhiwei (<i>Note 3</i>)	116,442
	LIU Hong (<i>Note 3</i>)	116,442
	Robert Maarten WESTERHOF	116,442
	TSENG Shieng-chang Carter	116,442
26 January 2018 (<i>Note 1</i>)	WANG Yijiang	116,442
	LAU Siu Ki	116,442
	BO Lianming (<i>Note 2</i>)	156,033
	WANG Cheng Kevin	65,114
	WANG Yi Michael	85,113
	YAN Xiaolin	33,337
	Albert Thomas DA ROSA, Junior	5,055
	HUANG Xubin	15,339
	LIU Hong (<i>Note 3</i>)	2,084
Robert Maarten WESTERHOF	5,055	
WANG Yijiang	3,188	

OTHER INFORMATION

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES (continued)

Grant Date	Name of Director/spouse of Director	Number of shares to be subscribed under the share option
25 April 2018	LI Dongsheng (<i>Note 4</i>)	1,599,903
	YAN Xiaolin	538,392
	HUANG Xubin	538,392
	WANG Cheng Kevin	391,464
	ZHANG Zhiwei (<i>Note 3</i>)	119,859
	LAU Siu Ki	119,859
	ICHIKAWA Yuki (spouse of LI Dongsheng)	272,468

Notes:

1. These represent adjustments made to the number of share options of the respective Directors as a result of and immediately upon the completion of the Rights Issue on 26 January 2018.
2. BO Lianming resigned as a Director with effect from 2 March 2018.
3. ZHANG Zhiwei and LIU Hong resigned as Directors with effect from 24 August 2018.
4. LI Dongsheng was appointed as a Director with effect from 2 March 2018.

OTHER INFORMATION

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES (continued)

During the six months ended 30 June 2018, Tonly Holdings has granted share options under its share option scheme to grantees who are Directors and spouse of a Director, details as follows:

Grant Date	Name of Director/spouse of Director	Number of shares to be subscribed under the share option
21 May 2018	LI Dongsheng (<i>Note</i>)	412,500
	YAN Xiaolin	138,813
	HUANG Xubin	138,813
	ICHIKAWA Yuki (spouse of LI Dongsheng)	70,250

Note: LI Dongsheng was appointed as a Director with effect from 2 March 2018.

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, at no time during the six months ended 30 June 2018 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.

OTHER INFORMATION

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 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 were set out in the circular dated 18 April 2016.

As at 16 April 2018, the balance of the scheme mandate limit under the 2016 Scheme was 41,627,743 shares (without taking into account of the share options granted under the 2016 Scheme which had lapsed after the completion of the Rights Issue (as defined subsequently) and the adjustments in relation to the share options pursuant thereto but on or before 16 April 2018), which represented approximately 1.78% of the total number of issued shares of the Company as at 16 April 2018.

On 23 May 2018, an ordinary resolution was passed to refresh the scheme mandate limit under the 2016 Scheme provided that the total number of shares which may be allotted and issued pursuant to the grant or exercise of share option under the 2016 Scheme shall not exceed 10% of the number of issued shares of the Company as at the date on which the resolution was passed.

As at 30 June 2018, 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 256,655,458 and 233,261,356, respectively, which represented about 11.00% and 10.00% of the total number of issued shares of the Company as at 30 June 2018, respectively.

OTHER INFORMATION

SHARE OPTIONS 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 HK\$	Exercise period of share options	Share closing price immediately before the date of grant of share options HK\$	Weighted average share closing price immediately before the exercise dates HK\$	
	At 1 January 2018	Reclassification	Granted during the period	Adjustment during the period	Exercised during the period	Lapsed during the period						At 30 June 2018
Directors												
<i>Executive Directors</i>												
LI Dongsheng*	-	3,000,634	-	78,016	-	-	3,078,650	09-Mar-15	4,4834	Note 1	4.40	N/A
	-	270,610	-	7,035	-	-	277,645	31-Aug-15	3,3918	Note 2	3.54	N/A
	-	200,134	-	5,203	-	-	205,337	02-Jun-16	4,3860	Note 3	4.49	N/A
	-	2,150,700	-	-	-	-	2,150,700	23-Jan-18	4,1520	Note 5	3.91	N/A
	-	-	1,599,903	-	-	-	1,599,903	25-Apr-18	3,5700	Note 6	3.55	N/A
	-	5,622,078	1,599,903	90,254	-	-	7,312,235					
BO Lianming*	6,001,268	-	-	156,033	-	-	6,157,301	09-Mar-15	4,4834	Note 1	4.40	N/A
	-	-	4,301,397	-	-	-	4,301,397	23-Jan-18	4,1520	Note 5	3.91	N/A
	6,001,268	-	4,301,397	156,033	-	-	10,458,698					
YAN Xiaolin	979,912	-	-	25,479	-	-	1,005,391	09-Mar-15	4,4834	Note 1	4.40	N/A
	152,651	-	-	3,970	-	-	156,621	31-Aug-15	3,3918	Note 2	3.54	N/A
	149,590	-	-	3,888	-	-	153,478	02-Jun-16	4,3860	Note 3	4.49	N/A
	-	-	116,442	-	-	-	116,442	23-Jan-18	4,1520	Note 5	3.91	N/A
	-	-	538,392	-	-	-	538,392	25-Apr-18	3,5700	Note 6	3.55	N/A
	1,282,153	-	654,834	33,337	-	-	1,970,324					
WANG Cheng Kevin	653,275	-	-	16,986	-	-	670,261	09-Mar-15	4,4834	Note 1	4.40	N/A
	1,413,076	-	-	36,741	-	-	1,449,817	31-Aug-15	3,3918	Note 2	3.54	N/A
	154,271	-	-	4,011	-	-	158,282	02-Jun-16	4,3860	Note 3	4.49	N/A
	283,687	-	-	7,376	-	-	291,063	12-May-17	3,7329	Note 4	3.70	N/A
	-	-	4,301,397	-	-	-	4,301,397	23-Jan-18	4,1520	Note 5	3.91	N/A
	-	-	391,464	-	-	-	391,464	25-Apr-18	3,5700	Note 6	3.55	N/A
	2,504,309	-	4,692,861	65,114	-	-	7,262,284					
WANG Yi Michael	979,912	-	-	25,479	-	-	1,005,391	09-Mar-15	4,4834	Note 1	4.40	N/A
	2,119,615	-	-	55,110	-	-	2,174,725	31-Aug-15	3,3918	Note 2	3.54	N/A
	174,055	-	-	4,524	-	-	178,579	02-Jun-16	4,3860	Note 3	4.49	N/A
	-	-	2,150,700	-	-	-	2,150,700	23-Jan-18	4,1520	Note 5	3.91	N/A
	3,275,582	-	2,150,700	85,113	-	-	5,509,395					
	13,061,312	5,622,078	13,399,695	429,851	-	-	32,512,936					

OTHER INFORMATION

SHARE OPTIONS SCHEMES (continued)

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

Name or category of participant	Number of share options						At 30 June 2018	Date of grant of share options	Exercise price of share options HK\$	Exercise period of share options	Share closing price immediately before the date of grant of share options	Weighted average share closing price immediately before the exercise dates
	At 1 January 2018	Reclassification	Granted during the period	Adjustment during the period	Exercised during the period	Lapsed during the period					HK\$	HK\$
<i>Non-executive Directors</i>												
<i>Albert Thomas DA ROSA</i>												
Junior	194,410	-	-	5,055	-	-	199,465	09-Mar-15	4,4834	Note 1	4.40	N/A
	-	-	116,442	-	-	-	116,442	23-Jan-18	4,1520	Note 5	3.91	N/A
	194,410	-	116,442	5,055	-	-	315,907					
HUANG Xubin	194,410	-	-	5,055	-	-	199,465	09-Mar-15	4,4834	Note 1	4.40	N/A
	239,098	-	-	6,216	-	-	245,314	31-Aug-15	3,3918	Note 2	3.54	N/A
	156,457	-	-	4,068	-	-	160,525	02-Jun-16	4,3860	Note 3	4.49	N/A
	-	-	116,442	-	-	-	116,442	23-Jan-18	4,1520	Note 5	3.91	N/A
	-	-	538,392	-	-	-	538,392	25-Apr-18	3,5700	Note 6	3.55	N/A
	589,965	-	654,834	15,339	-	-	1,260,138					
ZHANG Zhiwei**	-	-	116,442	-	-	-	116,442	23-Jan-18	4,1520	Note 5	3.91	N/A
	-	-	119,859	-	-	-	119,859	25-Apr-18	3,5700	Note 6	3.55	N/A
	-	-	236,301	-	-	-	236,301					
LIU Hong**	80,162	-	-	2,084	-	-	82,246	12-May-17	3,7329	Note 4	3.70	N/A
	-	-	116,442	-	-	-	116,442	23-Jan-18	4,1520	Note 5	3.91	N/A
	80,162	-	116,442	2,084	-	-	198,688					
<i>Independent Non-executive Directors</i>												
<i>Robert Maarten WESTERHOF</i>												
	194,410	-	-	5,055	-	-	199,465	09-Mar-15	4,4834	Note 1	4.40	N/A
	-	-	116,442	-	-	-	116,442	23-Jan-18	4,1520	Note 5	3.91	N/A
	194,410	-	116,442	5,055	-	-	315,907					
TSENG Shiang-chang Carter	-	-	116,442	-	-	(116,442)	-	23-Jan-18	4,1520	Note 5	3.91	N/A
	-	-	116,442	-	-	(116,442)	-					

OTHER INFORMATION

SHARE OPTIONS SCHEMES (continued)

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

Name or category of participant	Number of share options						Date of grant of share options	Exercise price of share options HK\$	Exercise period of share options	Share closing price immediately before the date of grant of share options HK\$	Weighted average share closing price immediately before the exercise dates HK\$	
	At 1 January 2018	Reclassification	Granted during the period	Adjustment during the period	Exercised during the period	Lapsed during the period						At 30 June 2018
WANG Yijiang	122,630	-	-	3,188	-	-	125,818	02-Jan-16	4,3860	Note 3	4.49	N/A
	-	-	116,442	-	-	-	116,442	23-Jan-18	4,1520	Note 5	3.91	N/A
	122,630	-	116,442	3,188	-	-	242,260					
LAU Siu Ki	-	-	116,442	-	-	-	116,442	23-Jan-18	4,1520	Note 5	3.91	N/A
	-	-	119,859	-	-	-	119,859	25-Apr-18	3,5700	Note 6	3.55	N/A
	-	-	236,301	-	-	-	236,301					
	1,181,577	-	1,709,646	30,721	-	(116,442)	2,805,502					
Associate(s) of Director(s)												
ICHIKAWA Yuki (Spouse of Mr. Li Dongsheng)	-	102,434	-	2,664	-	-	105,098	31-Aug-15	3,3918	Note 2	3.54	N/A
	-	124,101	-	3,228	-	-	127,329	02-Jun-16	4,3860	Note 3	4.49	N/A
	-	-	272,468	-	-	-	272,468	25-Apr-18	3,5700	Note 6	3.55	N/A
	-	226,535	272,468	5,892	-	-	504,895					
Other employees of the Group												
	23,924,065	(3,000,634)	-	526,651	-	(2,708,301)	18,741,781	09-Mar-15	4,4834	Note 1	4.40	N/A
	84,036,799	(373,044)	-	2,125,268	(2,626,651)	(3,462,668)	79,699,704	31-Aug-15	3,3918	Note 2	3.54	3.78
	8,324,124	(324,235)	-	203,817	-	(1,100,161)	7,103,545	02-Jun-16	4,3860	Note 3	4.49	N/A
	16,204,665	-	-	421,103	(39,261)	(1,436,721)	15,149,786	12-May-17	3,7329	Note 4	3.70	4.04
	-	(2,150,700)	91,206,240	-	-	(4,301,397)	84,754,143	23-Jan-18	4,1520	Note 5	3.91	N/A
	132,489,653	(5,848,613)	91,206,240	3,276,839	(2,665,912)	(13,009,248)	205,448,959					
Those who have contributed or may contribute to the Group												
	3,786,579	-	-	91,166	(467,266)	(14,989)	3,395,490	31-Aug-15	3,3918	Note 2	3.54	3.78
	2,724,371	-	-	70,835	-	(14,471)	2,780,735	02-Jun-16	4,3860	Note 3	4.49	N/A
	-	-	9,284,417	-	(77,450)	(26)	9,206,941	25-Apr-18	3,5700	Note 6	3.55	3.74
	6,510,950	-	9,284,417	162,001	(544,716)	(29,486)	15,383,166					
	153,243,492	-	115,872,466	3,905,304	(3,210,628)	(13,155,176)	256,655,458					

OTHER INFORMATION

SHARE OPTIONS SCHEMES (continued)

Note 1: 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 2: 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 3: 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 4: 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.

Note 5: Approximately one-sixth of such share options are exercisable commencing from 18 May 2019, approximately one-sixth from 9 January 2020, approximately one-sixth from 18 May 2020, approximately one-sixth from 9 January 2021, a further approximately one-sixth are exercisable commencing from 18 May 2021, and the remaining approximately one-sixth are exercisable commencing from 9 January 2022, up to 22 January 2024.

OTHER INFORMATION

SHARE OPTIONS SCHEMES (continued)

Note 6: For share options granted to the employees of the Group, all of such share options are exercisable commencing from 9 January 2019, up to 24 April 2024.

For share options granted to the employees of TCL Corporation, approximately one-third of such share options are exercisable commencing from 15 June 2018, a further approximately one-third are exercisable commencing from 15 June 2019, and the remaining approximately one-third are exercisable commencing from 15 June 2020, up to 24 April 2024.

- * Mr. LI Dongsheng resigned as the Chairman and an executive Director with effect from 22 September 2017; and subsequently appointed the Chairman and an executive Director with effect from 2 March 2018.
- ** Each of Mr. ZHANG Zhiwei and Mr. LIU Hong resigned as a non-executive Director with effect from 24 August 2018.
- * Mr. BO Lianming resigned as the Chairman and an executive Director with effect from 2 March 2018.
- △ Adjustments have been made to the number of outstanding share options and their exercise prices immediately upon the completion of the Rights Issue on 26 January 2018.

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.

OTHER INFORMATION

AWARD SCHEME (continued)

On 4 May 2018, the Board further resolved to make the 2018 Amendments to the Award Scheme which primarily introduces a refreshment mechanism that allows for refreshment of the scheme limit subject to fulfilment of certain conditions and other consequential amendments.

As at 4 May 2018, 56,229,890 further restricted shares might be granted to the eligible participants of the Award Scheme, which represented about 2.41% of the total number of issued shares of the Company as at 4 May 2018. On 4 May 2018, the Board conditionally approved to refresh the scheme limit to not exceeding 10% of the number of issued shares of the Company as of the date of such Board's approval, subject to the passing of the resolutions approving the amended Award Scheme with the 2018 Amendments incorporated by the shareholders of the Company at the EGM to be held on 23 May 2018. On 23 May 2018, an ordinary resolution was passed to approve the amended Award Scheme with the 2018 Amendments incorporated. As at 4 May 2018, the number of issued shares of the Company was 2,332,299,307, hence a total of maximum of 233,229,930 shares of the Company may be granted as awarded shares under the Award Scheme. No further shares had been awarded thereafter as at 30 June 2018.

On 23 May 2018, an ordinary resolution was also passed to grant an annual specific mandate to the Directors to allot and issue new shares under the Award Scheme for not exceeding 3% of the number of shares of the Company in issue as at the date on which the resolution was passed. As at 23 May 2018, the number of issued shares of the Company was 2,332,613,561 and the maximum amount of new shares which could be issued as approved under the said specific mandate was 69,978,406 shares. No new shares had been issued under the said specific mandate thereafter as at 30 June 2018.

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.

OTHER INFORMATION

AWARD SCHEME (continued)

Information in relation to the Award Scheme was as follows:

Number of awarded shares				
Granted but not vested as at 1 January 2018	Granted during the period	Vested during the period	Lapsed during the period	Granted but not vested as at 30 June 2018
'000	'000	'000	'000	'000
14,848	47,833	(8,576)	(5,247)	48,858

As at 30 June 2018, (i) 233,229,930 further awarded shares might be granted to the eligible participants of the Award Scheme and (ii) a maximum of 69,978,406 new shares might be allotted and issued as awarded shares under the specific mandate, which represented approximately 10.00% and 3% of the total number of issued shares of the Company as at 30 June 2018, respectively.

The expenses in relation to the Award Scheme recorded during the period from 1 January 2018 to 30 June 2018 were approximately HK\$27,734,000.

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 2018.

INTERIM DIVIDEND

The Board is pleased to declare an interim dividend for the period ended 30 June 2018, of HK9.80 cents (30 June 2017: HK3.90 cents) in cash per share.

The said interim dividend will be payable on or about 23 October 2018, Tuesday to shareholders whose names appear on the register of members of the Company at the close of business at 4:30 p.m. on 8 October 2018, Monday.

OTHER INFORMATION

RECORD DATE AND CLOSURE OF REGISTER OF MEMBERS

The record date for determining the entitlements of the shareholders of the Company to the said interim dividend is 8 October 2018, Monday. 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 8 October 2018, Monday. The register of members of the Company will be closed from 9 October 2018, Tuesday to 10 October 2018, Wednesday (both dates inclusive). No transfer of shares may be registered during the said period.

CORPORATE GOVERNANCE

The Company has established and will continue to optimise 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 is aware of any information which would reasonably indicate that the Company had not, throughout the six months ended 30 June 2018, 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 2017 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:

- (1) Mr. HUANG Xubin, being a non-executive Director, Mr. ZHANG Zhiwei and Mr. LIU Hong, being the then non-executive Directors, and Mr. Robert Maarten WESTERHOF and Dr. TSENG Shieng-chang Carter, being the independent non-executive Directors, were not present at the January EGM; and
- (2) Mr. HUANG Xubin, being a non-executive Director, and Mr. ZHANG Zhiwei and Mr. LIU Hong, being the then non-executive Directors were not present at the annual general meeting of the Company ("2018 AGM") and the extraordinary general meeting of the Company ("May EGM") both held on 23 May 2018.

However, save as disclosed above, all the other non-executive Directors and independent non-executive Directors attended the January EGM, 2018 AGM and May 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 Mr. BO Lianming (resigned as the Chairman and the executive Director with effect from 2 March 2018) being a then executive Director, Mr. Albert Thomas DA ROSA, Junior and Mr. HUANG Xubin, both being non-executive Directors, and Mr. Robert Maarten WESTERHOF and Dr. TSENG Shieng-chang Carter, both being independent non-executive Directors 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 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.

OTHER INFORMATION

CORPORATE GOVERNANCE (continued)

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

Due to other pre-arranged business commitments which must be attended to by Mr. LI Dongsheng, being the Chairman of the Board and an executive Director was not present at the 2018 AGM. However, Mr. LAU Siu Ki, being the chairman of the Audit Committee and an independent non-executive Director, Dr. TSENG Shieng-chang Carter, being the chairman of the Remuneration Committee and an independent non-executive Director and Professor WANG Yijiang, being the chairman of the Nomination Committee and an independent non-executive Director were present at the 2018 AGM to maintain an ongoing dialogue, to communicate with the shareholders and to encourage their participation.

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

The company secretary of the Company, Ms. CHOY Fung Yee ("Ms. CHOY") is not an employee of the Company. Throughout the six months ended 30 June 2018, the Company has assigned Mr. SIN Man Lung ("Mr. SIN"), the then financial controller of the Company, as the contact person with Ms. CHOY. Following Mr. SIN's resignation with effect from 24 August 2018, the Company has assigned Mr. WANG Yi Michael, an executive director and the Chief Financial Officer of the Company as the contact person with Ms. CHOY. Information in relation to the performance, financial position and other major developments and affairs of the Group (including but not limited to the management monthly report to the Board) are speedily delivered to Ms. CHOY through the contact person assigned. Given the long-term relationship between Messrs. Cheung Tong & Rosa Solicitors (of which Ms. CHOY is a partner) and the Group, Ms. CHOY is very familiar with the operations of the Group and has an in depth knowledge of the management of the Group. Having in place a mechanism that Ms. CHOY will get hold of the Group's development promptly without material delay and with her expertise and experience, the Board is confident that having Ms. CHOY as the company secretary is beneficial to the Group's compliance with the relevant board procedures, applicable laws, rules and regulations.

OTHER INFORMATION

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's unaudited financial statements for the six months ended 30 June 2018, including the accounting principles adopted by the Group, with the Company's management. The Audit Committee comprises four members, namely Mr. LAU Siu Ki (Chairman), Dr. TSENG Shiang-chang Carter and Professor WANG Yijiang, all being independent non-executive Directors and Mr. HUANG Xubin, a non-executive Director.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

The Company has adopted a model code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard as set out in 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 two confirmations (the "Confirmations") from TCL Corporation and T.C.L. Industries (collectively the "Covenantors") signed by them confirming that for the period from 1 January 2018 to 30 June 2018 and up to the date of signing the Confirmations by the relevant Covenantors, they have fully complied with the deed of non-competition executed by the Covenantors in favour of the Group on 15 November 1999 as amended from time to time (the "Deed of Non-Competition").

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

UPDATES ON THE USE OF PROCEEDS FROM THE SUBSCRIPTION COMPLETED ON 11 MAY 2016

The gross proceeds from the subscription by Lerong Zhixin pursuant to the Subscription Agreement were approximately HK\$2,267,525,000. The net proceeds from the subscription, after deduction of expenses and professional fees, amounted to approximately HK\$2,260,000,000 (the "Subscription Proceeds") amongst which approximately HK\$1,437,520,000 had been utilised as at 22 September 2017.

OTHER INFORMATION

UPDATES ON THE USE OF PROCEEDS FROM THE SUBSCRIPTION COMPLETED ON 11 MAY 2016 (continued)**Before Change in Use of Proceeds**

The breakdown of the Company's proposed use of the Subscription Proceeds as stated in the circular of the Company dated 27 December 2015 ("Subscription Circular"), prior to the change in the proposed use of the Subscription Proceeds and the actual use of the Subscription Proceeds from the date of completion of the subscription to 22 September 2017 were as follows:

Intended use:	Proposed use of the Subscription Proceeds as disclosed in the Subscription Circular <i>HK\$ million (approximately)</i>	Actual use of the Subscription Proceeds from the date of completion of the subscription to 22 September 2017 <i>HK\$ million (approximately)</i>	Balance of the unutilised Subscription Proceeds as of 22 September 2017 <i>HK\$ million (approximately)</i>
Research and development which will primarily be used to upgrade the Group's TV products including but not limited to Curved TV, OLED TV, high colour domain TV like Quantum Dot TV, Slim TV, HDR (High Dynamic Range), etc	500	500	–
Overseas markets expansion in countries tentatively targeting with high population including but not limited to India and Brazil, etc.	400	196.06	203.94
Automation and technology and process improvement	300	181.46	118.54
Mergers and acquisitions (the target(s) of which has not yet been identified as at the date hereof but tentatively the mergers and acquisitions target should have synergy with the Group's existing businesses in terms of R&D, supply chains, production, sales, user base and APRU value, etc.)	500	–	500
Repayment of loans	500	500	–
General working capital	60	60	–
Total	2,260	1,437.52	822.48

OTHER INFORMATION

UPDATES ON THE USE OF PROCEEDS FROM THE SUBSCRIPTION COMPLETED ON 11 MAY 2016 (continued)

Before Change in Use of Proceeds (continued)

As at 22 September 2017, the use of the Subscription Proceeds had not exceeded the proposed use of the Subscription Proceeds as disclosed in the Subscription Circular and the total balance of the unutilised Subscription Proceeds was approximately HK\$822,480,000.

After Change in Use of Proceeds

The Board had on 22 September 2017 resolved to reallocate and utilise the unutilised Subscription Proceeds in the total sum of approximately HK\$822,480,000. Please refer to the announcement of the Company published on 22 September 2017 ("Updates Announcement"). As at 30 June 2018, the breakdown of the Company's proposed use of the Subscription Proceeds as stated in the Updates Announcement, and the actual use of the Subscription Proceeds from the date of the Updates Announcement to 30 June 2018 were as follows:

Intended use:	Proposed use of the Subscription Proceeds as disclosed in the Updates Announcement <i>HK\$ million</i> <i>(approximately)</i>	Actual use of the Subscription Proceeds from the date of the Updates Announcement to 30 June 2018 <i>HK\$ million</i> <i>(approximately)</i>	Balance of the unutilised Subscription Proceeds as of 30 June 2018 <i>HK\$ million</i> <i>(approximately)</i>
Overseas markets expansion in countries tentatively targeting with high population including but not limited to India and Brazil, etc.	176	176	–
Repayment of loans	618.54	618.54	–
General working capital	27.94	27.94	–
Total	822.48	822.48	–

OTHER INFORMATION

THE USE OF PROCEEDS FROM THE RIGHTS ISSUE

Reference is made to the Prospectus published by the Company dated 27 December 2017 in respect of the Rights Issue in the proportion of one Rights Share for every three then existing shares held by the qualifying shareholders on the record date of 27 December 2017. Unless otherwise specified, terms used in this section shall have the same meanings as those defined in the Prospectus.

As disclosed in the Prospectus, the net proceeds from the Rights Issue after deduction of expenses and professional fees amounted to approximately HK\$2,000 million ("Rights Issue Proceeds").

OTHER INFORMATION

THE USE OF PROCEEDS FROM THE RIGHTS ISSUE (continued)

The breakdown of the Company's proposed use of the Rights Issue Proceeds as disclosed in the Prospectus and its actual use of the Rights Issue Proceeds from the date of completion of the Rights Issue to 30 June 2018 were as follows:

Intended use:	Proposed use of the Rights Issue Proceeds as disclosed in the Prospectus <i>HK\$ million (approximately)</i>	Actual use of the Rights Issue Proceeds from the date of completion of the Rights Issue to 30 June 2018 <i>HK\$ million (approximately)</i>	Balance of the unutilised Rights Issue Proceeds as of 30 June 2018 <i>HK\$ million (approximately)</i>
Future joint ventures and M&A opportunities	750	–	750
Phase I of the Tonghu Project	350	15	335
R&D	350	200	150
General working capital	550	550	–
Total	2,000	765	1,235

On behalf of the Board

LI Dongsheng

Chairman

Hong Kong, 24 August 2018