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## **TCL MULTIMEDIA TECHNOLOGY HOLDINGS LIMITED**

### **TCL 多媒體科技控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 01070)

## **RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017**

### **FINANCIAL HIGHLIGHTS**

*Results for the year ended 31 December*

	<b>2017</b> <i>(HK\$M)</i>	2016 <i>(HK\$M)</i> <i>(Restated)</i>	<b>Change</b>
Turnover	<b>40,822</b>	33,361	22.4%
Gross profit	<b>6,301</b>	5,816	8.3%
Operating profit	<b>1,050</b>	296	255.1%
Net profit after tax	<b>797</b>	177	350.8%
Profit attributable to owners of the parent	<b>815</b>	183	345.7%
Basic earnings per share <i>(HK cents)</i>	<b>47.43</b>	11.40	316.1%
Full year dividend per share <i>(HK cents)</i>	<b>18.97</b>	–	N/A
– Paid interim dividend per share	<b>3.90</b>	–	N/A
– Proposed final dividend per share	<b>15.07</b>	–	N/A

## **BUSINESS HIGHLIGHTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2017**

- The Group sold 23.23 million sets of liquid-crystal-display (“LCD”) TVs, up by 16.4% year-on-year. It achieved the strongest growth in five years, outperforming the full-year sales target of 22.00 million sets. Sales volume of LCD TVs in the PRC market declined marginally by 2.7% year-on-year to 9.16 million sets, while sales volume of LCD TVs in the overseas markets grew by 33.5% year-on-year to 14.07 million sets.
- The Group’s turnover surpassed HK\$40.00 billion for the first time, hitting a historic high of HK\$40.82 billion and representing a 22.4% increase year-on-year. Gross profit grew by 8.3% year-on-year to HK\$6.30 billion. Despite an increase in panel price and a change in business segment composition which led to a reduction in gross profit margin from 17.4% to 15.4% on a full-year basis, the gross profit margin in the fourth quarter rebounded rapidly from 14.2% in the third quarter to 16.6% in the fourth quarter as a result of continuous product innovation, product mix optimisation, and a decrease in panel price in the second half of the year. The expense ratio of the year was down to the lowest level since 2003 to 13.1% from 15.1% compared with the same period of last year and saw a reduction for eight consecutive quarters. Operating profit was HK\$1.05 billion and net profit after tax was HK\$797 million. Profit attributable to owners of the parent surged by 345.7% year-on-year to a five-year record high of HK\$815 million, including a one-off gain of HK\$220 million from the completion of a capital increase of Shenzhen Thunderbird Network Technology Company Limited\* (深圳市雷鳥網絡科技有限公司, “Thunderbird Technology”). Basic earnings per share was HK47.43 cents. The Board of Directors proposed a final dividend of HK15.07 cents per share (2017 interim dividend paid was HK3.90 cents per share and dividend for the year totaled HK18.97 cents per share).
- As a result of continued product mix optimisation, high-end products (such as smart, quantum dot, curved, 4K and large screen TVs, etc.) accounted for an increasing percentage in the total product mix. Sales volume of smart TVs of the Group in the PRC market (excluding ODM business) amounted to 5.57 million sets, which accounted for 76.3% of the Group’s LCD TV sales volume in the PRC market (excluding ODM business). Sales volume of 4K TVs in the PRC market (excluding ODM business) amounted to 3.11 million sets, which accounted for 42.7% of the Group’s LCD TV sales volume in the PRC market (excluding ODM business). The Group has remained its No.1 position in the curved TV offline market in the PRC with a market share of 33.6% (excluding ODM business). (Source: China Market Monitor Co., Ltd. (“CMM”)).

\* For identification purpose only

- As of 31 December 2017, the accumulated number of TCL activated smart TV users totaled 23,536,522, and the daily average number of active users in December 2017 was 10,809,751 (source: Huan Technology Co., Ltd. (“Huan”).
- The Group ranked No.3 in the global LCD TV market with a 10.9% market share in 2017, according to the latest IHS Technology and the Company’s shipment data. It ranked No.3 in the PRC LCD TV market with a 11.9% market share in 2017, according to CMM omni-channel data.
- On 28 November 2017, the Group announced a proposed change of name to TCL Electronics Holdings Limited as a better reflection of the direction of its diverse business development. Meanwhile, the Group announced on 25 January 2018 the completion of the rights issue which raised a net proceed of approximately HK\$2.00 billion. The rights shares allotted and issued accounted for 12.643% of the number of excess rights shares applied for, which was equivalent to an over-subscription of 7.9 times, reflecting shareholders and investors’ confidence in the Group’s prospect.

The board of directors (the “Board”) of TCL Multimedia Technology Holdings Limited (the “Company”) is pleased to announce the consolidated results and financial position of the Company and its subsidiaries (collectively, the “Group”) for the year ended and for the three months ended 31 December 2017 with comparative figures for the previous periods as follows:

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

	Notes	Twelve months ended 31 December		Three months ended 31 December	
		2017 HK\$'000	2016 HK\$'000 (Restated)	2017 HK\$'000	2016 HK\$'000 (Restated)
<b>TURNOVER</b>	3	<b>40,822,357</b>	33,361,250	<b>12,574,213</b>	9,686,370
Cost of sales		<u>(34,521,113)</u>	<u>(27,545,467)</u>	<u>(10,493,050)</u>	<u>(7,919,897)</u>
Gross profit		<b>6,301,244</b>	5,815,783	<b>2,081,163</b>	1,766,473
Other revenue and gains		<b>820,555</b>	334,150	<b>257,061</b>	74,292
Selling and distribution expenses		<b>(4,057,165)</b>	(3,911,660)	<b>(1,217,591)</b>	(1,069,490)
Administrative expenses		<b>(1,281,132)</b>	(1,129,051)	<b>(365,304)</b>	(318,117)
Research and development costs		<b>(632,401)</b>	(638,162)	<b>(209,135)</b>	(249,233)
Other operating expenses		<b>(100,909)</b>	(175,299)	<b>(82,845)</b>	(156,561)
		<b>1,050,192</b>	295,761	<b>463,349</b>	47,364
Finance costs	4	<b>(229,175)</b>	(93,102)	<b>(146,864)</b>	(31,304)
Share of profits and losses of:					
Joint ventures		<b>(7,468)</b>	(36,147)	<b>3,039</b>	(5,683)
Associates		<b>119,615</b>	34,694	<b>57,029</b>	25,076
<b>PROFIT BEFORE TAX</b>	5	<b>933,164</b>	201,206	<b>376,553</b>	35,453
Income tax	6	<b>(136,303)</b>	(24,428)	<b>(75,905)</b>	4,337
<b>PROFIT FOR THE YEAR/PERIOD</b>		<b><u>796,861</u></b>	<u>176,778</u>	<b><u>300,648</u></b>	<u>39,790</u>

	Twelve months ended		Three months ended	
	31 December		31 December	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>OTHER COMPREHENSIVE INCOME/ (LOSS)</b>				
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:				
Cash flow hedge:				
Effective portion of changes in fair value of the hedging instruments arising during the year/period	(43,940)	23,062	(10,642)	25,426
Reclassification adjustments for losses/ (gains) included in the consolidated statement of profit or loss	11,243	(4,605)	18,025	694
	<u>(32,697)</u>	<u>18,457</u>	<u>7,383</u>	<u>26,120</u>
Exchange differences:				
Translation of foreign operations	351,727	(335,552)	91,361	(190,067)
Reclassification adjustments for foreign operations disposed of or liquidated during the year/period	495	9,321	(2,897)	-
Reclassification adjustments for deemed partial disposal or liquidation of associates during the year/period	306	(1,407)	-	1
	<u>352,528</u>	<u>(327,638)</u>	<u>88,464</u>	<u>(190,066)</u>
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	319,831	(309,181)	95,847	(163,946)

	Note	Twelve months ended		Three months ended	
		31 December		31 December	
		2017	2016	2017	2016
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:					
Share of other comprehensive income/(loss) of an associate		<u>8,127</u>	<u>(6,168)</u>	<u>7,468</u>	<u>(6,168)</u>
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD</b>		<u><b>327,958</b></u>	<u><b>(315,349)</b></u>	<u><b>103,315</b></u>	<u><b>(170,114)</b></u>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD</b>		<u><b>1,124,819</b></u>	<u><b>(138,571)</b></u>	<u><b>403,963</b></u>	<u><b>(130,324)</b></u>
Profit/(loss) attributable to:					
Owners of the parent		<u>814,639</u>	182,764	<u>305,376</u>	35,875
Non-controlling interests		<u>(17,778)</u>	<u>(5,986)</u>	<u>(4,728)</u>	3,915
		<u><b>796,861</b></u>	<u>176,778</u>	<u><b>300,648</b></u>	<u>39,790</u>
Total comprehensive income/(loss) attributable to:					
Owners of the parent		<u>1,137,835</u>	(125,842)	<u>408,796</u>	(130,340)
Non-controlling interests		<u>(13,016)</u>	<u>(12,729)</u>	<u>(4,833)</u>	16
		<u><b>1,124,819</b></u>	<u><b>(138,571)</b></u>	<u><b>403,963</b></u>	<u><b>(130,324)</b></u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>					
					(Restated)
Basic	8	<u><b>HK47.43 cents</b></u>	<u>HK11.40 cents</u>		
					(Restated)
Diluted		<u><b>HK46.55 cents</b></u>	<u>HK10.99 cents</u>		

Details of the dividends for the year are disclosed in note 7.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<b>31 December</b>	<b>31 December</b>
	<b>2017</b>	<b>2016</b>
<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	<b>1,675,998</b>	1,819,152
Prepaid land lease payments	<b>125,801</b>	121,212
Investment properties	<b>130,329</b>	–
Goodwill	<b>119,638</b>	134,933
Other intangible assets	<b>129</b>	1,094
Investments in joint ventures	<b>14,291</b>	36,651
Investments in associates	<b>1,106,911</b>	597,618
Available-for-sale investments	<b>107,835</b>	100,126
Deferred tax assets	<b>72,589</b>	34,729
	<b>3,353,521</b>	2,845,515
<b>CURRENT ASSETS</b>		
Inventories	<b>5,058,597</b>	4,349,253
Trade receivables	<b>6,466,171</b>	5,100,561
Bills receivable	<b>3,793,118</b>	2,839,571
Other receivables	<b>1,249,468</b>	1,246,008
Tax recoverable	<b>29,266</b>	21,270
Derivative financial instruments	<b>202,970</b>	24,851
Cash and bank balances	<b>5,910,235</b>	3,882,361
	<b>22,709,825</b>	17,463,875

		<b>31 December 2017</b>	31 December 2016
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>CURRENT LIABILITIES</b>			
Trade payables	10	<b>9,753,201</b>	7,373,298
Bills payable		<b>306,879</b>	1,002,284
Other payables and accruals		<b>4,555,367</b>	3,609,159
Interest-bearing bank and other borrowings	11	<b>2,905,253</b>	1,353,943
Tax payable		<b>136,599</b>	61,696
Derivative financial instruments		<b>194,826</b>	479
Provisions		<b>477,920</b>	331,800
		<hr/>	<hr/>
Total current liabilities		<b>18,330,045</b>	13,732,659
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		<b>4,379,780</b>	3,731,216
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>7,733,301</b>	6,576,731
		<hr/>	<hr/>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	11	<b>21,537</b>	1,700
Deferred tax liabilities		<b>15,247</b>	18,686
		<hr/>	<hr/>
Total non-current liabilities		<b>36,784</b>	20,386
		<hr/>	<hr/>
Net assets		<b>7,696,517</b>	6,556,345
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Issued capital	12	<b>1,747,633</b>	1,736,446
Reserves		<b>5,881,091</b>	4,715,999
		<hr/>	<hr/>
<b>Non-controlling interests</b>		<b>7,628,724</b>	6,452,445
		<b>67,793</b>	103,900
		<hr/>	<hr/>
Total equity		<b>7,696,517</b>	6,556,345
		<hr/> <hr/>	<hr/> <hr/>



*Notes:*

## **1. BASIS OF PREPARATION**

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

### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

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

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

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

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

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Amendments to HKFRS 12 included in Annual Improvements to HKFRSs 2014-2016 Cycle	<i>Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12</i>

None of the above amendments to HKFRSs has had a significant financial effect on these financial statements. Disclosure has been made in the relevant note to the financial statements upon the adoption of amendments to HKAS 7, which require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group has changed the accounting policy voluntarily for government grants since 1 January 2017. The nature, reason and impact of the change are described as below:

In accordance with HKAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*, government grants related to income are presented as part of profit or loss, either separately or under a general heading such as "other income"; alternatively, they are deducted in reporting the related expense; government grants related to assets shall be presented in the statement of financial position either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

Before 1 January 2017, being a subsidiary of TCL Corporation ("TCL Corporation", the ultimate holding company of the Company), the Company chose to apply the same accounting policy for government grant with TCL Corporation for the efficiency of financial reporting. TCL Corporation is registered in the PRC and prepared its consolidated financial statements in accordance with Accounting Standards for Business Enterprises ("ASBEs"), under which net government grants received against the related expenses or related carrying amount of assets are not allowed. Therefore, the Group presented the government grants related to income as "Other revenue and gains" in the consolidated statement of profit or loss before 1 January 2017.

On 10 May 2017, the PRC Ministry of Finance announced amendments to ASBE 16 Government Grants (the "New ASBE 16"). New ASBE 16 has been applied to government grants subsisting as at 1 January 2017 on a prospective basis. The New ASBE 16 permitted two presentation methods which is consistent with the requirement of HKAS 20.

To reflect more accurately the substance, enhance the comparability of financial information with the competitors, provide more relevant information to the users of its financial statements, and keep consistent with financial information prepared under ASBEs for the purpose of preparation of TCL Corporation's consolidated financial statements, which has already adopted the presentation of government grant as a deduction in reporting the related expenses since 1 January 2017, the Group has modified the presentation of the financial statements prepared in accordance with HKFRSs. Government grants relating to day-to-day activities and specifically applied for the reimbursement of incurred related costs and expenses have been removed from "Other revenue and gains" in the consolidated statement of profit or loss and restated as set-off of related costs and expenses; other government grants relating to day-to-day activities (including refund of value-added taxes ("VAT") on software products and national patent subsidies) are still recorded in "Other revenue and gains" in the consolidated statement of profit or loss.

The Group has adopted this change in accounting policy retrospectively and the effects on the consolidated statement of profit or loss are disclosed below:

	<b>Year ended 31 December 2017 HK\$'000</b>	Year ended 31 December 2016 HK\$'000
Decrease in selling and distribution expenses	<b>11,577</b>	17,798
Decrease in administrative expenses	<b>3,297</b>	4,203
Decrease in cost of sales	<b>18,075</b>	10,714
Decrease in other revenue and gains	<b>(32,949)</b>	(32,715)
Increase/(decrease) in profit before tax and profit for the year	<b>—</b>	—

### 3. OPERATING SEGMENT INFORMATION

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

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

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

	Television – PRC market		Television – Overseas markets		Others		Total		Eliminations		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue:</b>												
Sales to external												
customers	19,774,485	19,172,524	20,948,681	13,920,796	99,191	267,930	40,822,357	33,361,250	-	-	40,822,357	33,361,250
Intersegment sales	1,772,011	578,060	1,130,427	219,744	44,309	57,188	2,946,747	854,992	(2,946,747)	(854,992)	-	-
<b>Total</b>	<b>21,546,496</b>	<b>19,750,584</b>	<b>22,079,108</b>	<b>14,140,540</b>	<b>143,500</b>	<b>325,118</b>	<b>43,769,104</b>	<b>34,216,242</b>	<b>(2,946,747)</b>	<b>(854,992)</b>	<b>40,822,357</b>	<b>33,361,250</b>
<b>Segment results</b>	<b>466,291</b>	<b>218,621</b>	<b>479,579</b>	<b>393,230</b>	<b>(37,677)</b>	<b>25,663</b>	<b>908,193</b>	<b>637,514</b>	<b>-</b>	<b>-</b>	<b>908,193</b>	<b>637,514</b>
Corporate income/ (expenses), net							111,275	(359,598)			111,275	(359,598)
Finance costs							(229,175)	(93,102)			(229,175)	(93,102)
Interest income							30,724	17,845			30,724	17,845
Share of profits and losses of:												
Joint ventures	-	-	4,078	8,042	(11,546)	(44,189)	(7,468)	(36,147)			(7,468)	(36,147)
Associates	5,551	2,844	72,865	14,775	41,199	17,075	119,615	34,694			119,615	34,694
Profit before tax							933,164	201,206			933,164	201,206
Income tax							(136,303)	(24,428)			(136,303)	(24,428)
Profit for the year							796,861	176,778			796,861	176,778

#### 4. FINANCE COSTS

	2017 HK\$'000	2016 HK\$'000
<b>Interest on:</b>		
Bank and other loans	205,467	59,486
Loans from T.C.L. Industries Holdings (H.K.) Limited	-	25,424
Loans from an associate	64	851
Discounting bills receivable from an associate	22,821	6,356
Finance leases	823	985
<b>Total</b>	<b>229,175</b>	<b>93,102</b>

## 5. PROFIT BEFORE TAX

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i> <i>(Restated)</i>
Cost of inventories sold	34,521,113	27,545,467
Depreciation of property, plant and equipment	222,400	236,297
Depreciation of investment properties	308	–
Research and development costs	632,401	638,162
Amortisation of other intangible assets	141	223
Amortisation of prepaid land lease payments	3,131	3,507
Minimum lease payments under operating leases in respect of land and buildings	78,672	107,448
Auditor's remuneration	9,600	9,500
Employee benefits expenses (including directors' remuneration):		
Wages and salaries	2,252,544	2,076,444
Equity-settled share option expense	51,024	106,580
Employee share-based compensation benefits under the Award Scheme	11,928	51,481
Defined contribution expense	241,189	241,669
	<u>2,556,685</u>	<u>2,476,174</u>
Foreign exchange differences, net	(166,825)	(44,688)
Impairment/(reversal of impairment) of trade receivables, net	34,689**	(8,384)
Impairment of goodwill	15,295**	–
Impairment of other receivables	–	170,099**
Impairment of investment in a joint venture	19,377**	–
Write-down of inventories to net realisable value	55,502	2,390
Fair value gains on derivative financial instruments, net – transactions not qualifying as hedges	(19,669)	(571)
Realised loss/(gain) on settlement of derivative financial instruments	100,617	(17,063)
Rental income, net	(18,021)	(11,741)
Interest income	(30,724)	(17,845)
Government grants*		
Credited to other income	(187,314)	(156,630)
Deducted from cost of sales and relevant expenses	(43,513)	(32,714)
	<u>(230,827)</u>	<u>(189,344)</u>
Loss/(gain) on disposal of items of property, plant and equipment, net	30,374**	(2,032)
Loss/(gain) on disposal of subsidiaries	1,012**	(839)
Loss on liquidation of subsidiaries	–	4,952**
Gain on deemed partial disposal of an associate	(220,047)	–
Gain on liquidation of an associate	–	(1,083)
Restructuring cost provision, net**	161	248
Product warranty provision, net	310,187	179,959
	<u><u>310,187</u></u>	<u><u>179,959</u></u>

Notes:

- \* Various government grants have been received related to the Group's day-to-day activities. Government grants including VAT refund and national patent subsidies are recorded in "Other revenue and gains" in the consolidated statement of the profit and loss. Government grants that specifically applied for the reimbursement of incurred related costs and expenses have been removed from "Other revenue and gains" and restated as set-off of related costs and expenses. There are no unfulfilled conditions or contingencies relating to these grants.
- \*\* These items are included in "Other operating expenses" on the face of the consolidated statement of profit or loss and other comprehensive income.

## 6. INCOME TAX

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

	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Current – Hong Kong		
Charge for the year	<b>4,230</b>	1,713
(Overprovision)/underprovision in prior years	<b>(100)</b>	106
Current – Elsewhere		
Charge for the year	<b>169,054</b>	75,892
Underprovision/(overprovision) in prior years	<b>2,354</b>	(33,969)
Deferred	<b>(39,235)</b>	(19,314)
	<u><b>136,303</b></u>	<u>24,428</u>
Total tax charge for the year	<u><b>136,303</b></u>	<u>24,428</u>

## 7. DIVIDENDS

	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Interim dividend – HK3.90 cents		
(2016: nil) per ordinary share	<b>67,986</b>	–
Proposed final dividend – HK15.07 cents		
(2016: nil) per ordinary share	<b>351,442</b>	–
	<u><b>419,428</b></u>	<u>–</u>

The interim dividend proposed was HK\$3.90 cents per ordinary share and the total amounts proposed and paid are HK\$67,986,000 and HK\$65,049,000, respectively.

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting ("AGM"). These consolidated financial statements do not reflect this dividend payable.

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,717,592,405 (2016: 1,602,611,233 (restated)) in issue during the year.

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

The weighted average number of ordinary shares adopted in the calculation of the basic and diluted earnings per share for both years have been adjusted retrospectively to reflect the impact of the rights issue completed on 25 January 2018.

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

	<b>2017</b>	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	<u><b>814,639</b></u>	<u>182,764</u>
	<b>Number of shares</b>	
	<b>2017</b>	2016
		<i>(Restated)</i>
<b>Shares</b>		
Weighted average number of ordinary shares in issue less shares held for Award Scheme during the year used in the basic earnings per share calculation	<b>1,717,592,405</b>	1,602,611,233
Effect of dilution – weighted average number of ordinary shares:		
Share options	<b>10,662,462</b>	23,976,998
Awarded shares	<u><b>21,684,311</b></u>	<u>36,640,684</u>
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	<u><b>1,749,939,178</b></u>	<u>1,663,228,915</u>

## 9. TRADE RECEIVABLES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Due from third parties	5,408,510	3,816,599
Provision for impairment	<u>(234,376)</u>	<u>(199,925)</u>
	<u>5,174,134</u>	<u>3,616,674</u>
Due from related parties:		
Companies controlled by TCL Corporation	993,073	883,139
Associates of TCL Corporation	1,129	80,739
Joint ventures	70,392	71,930
Associates	227,443	75,591
A substantial shareholder	<u>–</u>	<u>372,488</u>
	<u>1,292,037</u>	<u>1,483,887</u>
	<u><b>6,466,171</b></u>	<u><b>5,100,561</b></u>

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

Save for those amounts due from related parties, in view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collaterals or other credit enhancements over its trade receivables. Trade receivables are non-interest-bearing.

An 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:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current to 90 days	5,651,859	4,081,419
91 to 180 days	498,369	595,245
181 to 365 days	129,854	162,186
Over 365 days	<u>186,089</u>	<u>261,711</u>
	<u><b>6,466,171</b></u>	<u><b>5,100,561</b></u>



## 10. TRADE PAYABLES

	<b>2017</b>	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Due to third parties	<u>6,533,721</u>	<u>4,754,718</u>
Due to related parties:		
Companies controlled by TCL Corporation	2,903,794	2,308,412
Associates of TCL Corporation	153,381	293,910
Associates	138,423	16,258
A substantial shareholder	<u>23,882</u>	<u>–</u>
	<u>3,219,480</u>	<u>2,618,580</u>
	<u><b>9,753,201</b></u>	<u>7,373,298</u>

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

	<b>2017</b>	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 90 days	9,321,020	6,974,452
91 to 180 days	247,831	199,366
181 to 365 days	101,423	44,094
Over 365 days	<u>82,927</u>	<u>155,386</u>
	<u><b>9,753,201</b></u>	<u>7,373,298</u>

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

## 11. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2017 HK\$'000	2016 HK\$'000
<b>Current</b>		
Bank loans – unsecured	2,300,114	850,549
Trust receipt loans – unsecured	603,036	332,551
Other loans	–	167,051
Finance lease payables	2,103	3,792
	<u>2,905,253</u>	<u>1,353,943</u>
<b>Non-current</b>		
Bank loans – unsecured	21,537	–
Finance lease payables	–	1,700
	<u>21,537</u>	<u>1,700</u>
	<u>2,926,790</u>	<u>1,355,643</u>
Analysed into:		
Bank and other loans repayable:		
Within one year or on demand	2,903,150	1,350,151
In the second year	–	–
In the third year	21,537	–
	<u>2,924,687</u>	<u>1,350,151</u>
Finance lease repayable:		
Within one year	2,103	3,792
In the second year	–	1,700
	<u>2,103</u>	<u>5,492</u>
	<u>2,926,790</u>	<u>1,355,643</u>

### Notes:

- (a) As at 31 December 2017 and 2016, the carrying amounts of the Group's bank and other borrowings approximated to their fair values.
- (b) TCL Corporation has guaranteed certain of the Group's bank loans up to HK\$691,577,000 (2016: HK\$100,626,000) as at the end of the reporting period.

## 12. SHARE CAPITAL

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Authorised:		
2,200,000,000 shares of HK\$1.00 each	<u>2,200,000</u>	<u>2,200,000</u>
Issued and fully paid:		
1,747,633,114 (2016:1,736,446,305) shares of HK\$1.00 each	<u>1,747,633</u>	<u>1,736,446</u>

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

The subscription rights attached to 4,786,288, 20,000, 6,333,447 and 47,074 share options were exercised at the subscription prices of HK\$3.17, HK\$4.60, HK\$3.48 and HK\$4.50 per share, respectively, resulting in the issue of an aggregate of 11,186,809 shares of HK\$1.00 each for a total cash consideration of HK\$37,518,000 before expenses.

## 13. COMPARATIVE AMOUNTS

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

## **BUSINESS REVIEW FOR THE YEAR ENDED 31 DECEMBER 2017**

In 2017, the global LCD TV market was weak and recorded a 3.6% year-on-year decline in shipment, according to IHS Technology. The TV demand in the PRC market also shrunk. According to CMM's omni-channel data, TV sales volume in the PRC market decreased 8.1% year-on-year. Market competition further intensified. In addition, panel price had been on the rise until July 2017 when it started declining. Despite the challenging operating environment, the Group achieved a remarkable increase in profits. The growth was mainly attributable to the following:

1. Sales volume and turnover rose significantly on a full-year basis, thanks to the Group's committed efforts in seeking vertical supply chain integration. In the PRC market, the Group outperformed the industry average; in the overseas markets, especially in the North American and Brazilian markets, the Group delivered outstanding performance;
2. The Group's product competitiveness increased notably, leading to optimisation of product mix and significant increase in brand price index;
3. Benefitting from the decrease in panel price in the second half of the year, the Group's overall gross profit margin as well as that in the PRC market rebounded in the fourth quarter;
4. The Group continued to streamline its operations in a bid to lower cost and enhance efficiency, which resulted in a continual decrease in overall expense ratio;
5. Thunderbird Technology introduced Tencent Digital (Shenzhen) Company Limited\* (騰訊數碼(深圳)有限公司, "Tencent Digital") as the second largest shareholder, therefore generating a one-off gain upon completion of capital increase.

\* *For identification purpose only*

The Group's turnover surpassed HK\$40.00 billion for the first time in its history, hitting a historic high of HK\$40.82 billion and representing a 22.4% year-on-year increase. Gross profit grew by 8.3% year-on-year to HK\$6.30 billion. Despite an increase in panel price and a change in business segment composition which led to a reduction in gross profit margin from 17.4% to 15.4% on a full-year basis, the gross profit margin in the fourth quarter rebounded rapidly from 14.2% in the third quarter to 16.6% in the fourth quarter as a result of the Group's continuous efforts in product innovation and product mix optimisation, and a decrease in panel price in the second half of the year. The expense ratio of the year was down to the lowest level since 2003 to 13.1% from 15.1% compared with the same period of last year and saw a reduction for eight consecutive quarters. Operating profit was HK\$1.05 billion and net profit after tax was HK\$797 million. Profit attributable to owners of the parent surged by 345.7% year-on-year to a five-year record high of HK\$815 million, including a one-off gain of HK\$220 million from the completion of a capital increase of Thunderbird Technology. Basic earnings per share was HK47.43 cents. The Board of Directors proposed a final dividend of HK15.07 cents per share (2017 interim dividend paid was HK3.90 cents per share and dividend for the year totaled HK18.97 cents).

In the fourth quarter, the Group's achieved a turnover of HK\$12.57 billion, representing an increase of 29.8% year-on-year. Gross profit rose by 17.8% year-on-year to HK\$2.08 billion. Operating profit amounted to HK\$460 million, and net profit after tax was HK\$300 million. Profit attributable to owners of the parent amounted to HK\$310 million. Basic earnings per share was HK17.70 cents.

The Group ranked No.3 in the global LCD TV market with a share of 10.9% in 2017, according to the latest IHS Technology and the Company's shipment data. It ranked No.3 in the PRC LCD TV market with a share of 11.9% in 2017, according to CMM's omni-channel data.

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

				<b>2017</b> ( <i>'000 sets</i> )	2016 ( <i>'000 sets</i> )	<b>Change</b>	
<b>LCD TVs</b>				<b>23,231</b>	19,956	16.4%	
<b>Total</b>							
– PRC market				<b>9,164</b>	9,415	(2.7%)	
– Overseas markets				<b>14,068</b>	10,541	33.5%	
<b>Of which: Smart TVs</b>				<b>15,094</b>	10,593	42.5%	
<b>4K TVs</b>				<b>5,805</b>	3,977	46.0%	
	Accumulated total as of	December	December				
	31 December	2017	2016	Change	2017	2016	
	2017	2017	2016			Change	
Number of TCL activated smart TV users <sup>(1)</sup>	23,536,522	634,475	606,989	4.5%	6,247,088	5,364,578	16.5%
Daily average number of active users <sup>(2)</sup>	N/A	10,809,751	7,473,240	44.7%	N/A	N/A	N/A

Notes:

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

## The PRC Market

**Sales outperformed industry average:** According to CMM omni-channel data, total TV sales volume in the PRC was down by 8.1% year-on-year in 2017. The Group adhered to its strategy of focusing on high-end products and continued to optimise its product mix and enhance its product competitiveness. Its sales volume rebounded in the fourth quarter of 2017 with a year-on-year increase of 15.9%. On a full-year basis, its LCD TV sales volume dropped slightly by 2.7% year-on-year to 9.16 million sets, outperforming the industry average.

**Revenue increased year-on-year:** As a result of improved product mix and increased average selling price of LCD TVs, the full-year LCD TV sales revenue rose by 3.1% year-on-year to HK\$19.77 billion, of which revenue in the fourth quarter increased by 11.4% year-on-year to HK\$6.42 billion.

**Average Selling Price increase outpaced industry average:** According to CMM omni-channel data, the average selling price of TVs in the PRC increased by 13.9% year-on-year. The average selling price of the Group's LCD TVs (excluding ODM business) rose by 15.6% year-on-year if computed in Renminbi.

**Gross profit margin rebounded in the fourth quarter:** Although the gross profit margin of LCD TVs (excluding ODM business) dropped by 2.0 percentage points year-on-year to 21.8% due to panel price increase, the gross profit margin in the fourth quarter rose considerably to 22.6% in the fourth quarter from 20.3% in the third quarter, mainly due to the improvement in product mix and reduction in panel prices since the third quarter.

The proportion of mid-to-high-end products increased further in 2017 alongside continued product mix optimisation (data below excluded ODM business).

- Smart TV sales volume reached 5.57 million sets, which accounted for 76.3% of the LCD TV sales volume in 2017, rising from 66.1% in 2016.
- 4K TV sales volume amounted to 3.11 million sets, which accounted for 42.7% of the LCD TV sales volume in 2017, rising from 36.3% in 2016.
- Market share of curved TVs was 33.6%, maintaining No.1 position (Source: CMM). Sales volume of curved TVs rose by 27.3% year-on-year to 1.08 million sets, which accounted for 14.8% of the LCD TV sales volume in 2017, increasing from 10.9% in 2016.
- The average size of TVs increased from 44.3 inches in the corresponding period of last year to 45.8 inches.

According to CMM's report, TCL's LCD TV brand price index increased from 93 in 2016 to 99 in 2017, ranking No.2. The index rose to 104 in November and 108 in December 2017 respectively, putting TCL as the top player.

Boosted by a range of online marketing activities which continually strengthened the Group's distribution network, the proportion of the Group's online sales volume as a percentage of total sales increased from 20.0% in 2016 to 26.2% in 2017.

### **Overseas Markets**

After years of dedicated efforts in the overseas markets, the Group achieved notable results. Its continued enhancement in product mix optimisation, coupled with the advantages arising from vertical supply chain integration, enabled it to enjoy an increasingly distinct competitive edge in the overseas markets, among which the North American market and emerging markets such as Brazil demonstrated strong sustainable growth momentum in terms of sales volume.

In 2017, the Group's LCD TV sales volume increased by 33.5% year-on-year to 14.07 million sets; turnover was up by 50.5% year-on-year to HK\$20.95 billion. In the fourth quarter of 2017, both sales volume and revenue of LCD TVs in the overseas markets posted significant growth, which grew by 44.7% to 4.00 million sets and 63.5% to HK\$6.16 billion year-on-year respectively. The overseas markets have become an important growth engine of the Group.

With regard to business development in emerging markets, in November 2017, the Group announced a subscription agreement with RV, one of Argentina's largest consumer electronics and home appliance manufacturers and distributors, for setting up a joint venture to enhance the TCL brand awareness and expand its market share in Argentina by leveraging the synergies and mutual benefits brought forth by the joint venture.

Performance in the overseas markets in 2017:

- In the North American market, the LCD TV sales volume surged by 131.5% year-on-year, doubling growth from the previous year. The Group actively expanded its sales and distribution channels and offered full coverage of the six major sales channels in North America. It was also highly commended by leading media globally. These efforts resulted in a continual increase in market share in the North American market. In 2017, its market share ranking in terms of sales volume rose to No. 4, up from No. 6 in 2016 (Source: NPD).
- LCD TV sales volume in emerging markets rose by 21.5% year-on-year. Of which, the Brazilian market delivered remarkable performance, with a 149.6% increase in sales volume year-on-year. The Group was ranked No. 3 by market share in terms of sales volume in the Philippines, No. 4 in Thailand and No. 5 in Vietnam and Australia respectively (Source: GfK).

The proportion of the Group's high-end products (excluding ODM business) as a percentage of total sales volume continued to rise,

- Proportion of TVs with screen size of 55 inches and above rose from 14.8% in 2016 to 20.6% in 2017.
- Proportion of 4K TVs increased from 14.8% in 2016 to 26.4% in 2017.
- Proportion of Smart TVs rose from 58.2% in 2016 to 77.6% in 2017.

### **Internet Business**

The Group continued to build its smart TV ecosystem, strengthen the platform development and users operation to accelerate the promotion of the "Smart + Internet" new business model and enhance its competitiveness in the industry.

As of 31 December 2017, the accumulated number of TCL activated smart TV users totaled 23,536,522, and the daily average number of active users in December 2017 was 10,809,751 (Source: Huan).

Through consolidation of online and offline channels, expansion of the scale of users and the enhanced proportion of operational user-end terminals, revenue streams from advertisements, members and services were expanded. As of the end of December 2017, the number of internet TV users has increased steadily:

- Video-on-demand business totaled 21.97 million users, increased by 26.3% when compared to 2016.
- Paid business totaled 2.05 million users, increased by 199.0% when compared to 2016.
- Average spending time of users on TV reached 4.9 hours, which rose by 16% year-on-year, with user loyalty further strengthened.

The Group accelerated the transformation of internet businesses in 2017 and recorded a revenue of approximately RMB140 million during the year, achieving a substantial growth of 94.6% year-on-year.



## **Research and Development**

The Group continued to place a strong emphasis on innovation-driven research and development (“R&D”) and focused on quantum dot and other cutting-edge technologies to launch a variety of products that formed a strong product portfolio to satisfy the diverse needs of consumers. The stress on R&D eventually strengthened its brand power and product competitiveness.

In terms of high-end products, the Group launched the third generation quantum dot technology TV product of XESS TV X2 and X3 series at the Spring Product Launch in March 2017. These products have brought home prestigious design awards at the German iF Product Design Award 2017. In addition, the Group launched C2 Theater TV and P3 golden curved TV to further enrich its product offering that brings consumers premium live and audio experiences. Furthermore, the Group announced in-depth win-win collaboration with Tencent in order to enrich its content resources on TVs aimed at the younger generation.

In September, The Group launched three new X/C/P TV series, namely, the X6 XESS Private Theatre TV, the C5 Cityline Bluetone TV, and the P6 Ultra High-Definition Thin TV at the International Consumer Electronics Fair (“IFA”) in Berlin. Among the debut products, the X6 XESS Private Theatre TV received the “Quantum Dot Technology Gold Award” at the IFA Product Technical Innovation Award jointly presented by Deutscher Industrie-und Handelskammertag (“DIHK”) and the International Data Group (“IDG”). The accolade is one of the most prestigious awards at the IFA. These achievements not only demonstrated the technological strength of the Group but also shown the world the innovative expertise of the Group in the realm of smart products.

On 11 January 2018, TCL won the “China Innovation Brand Award” at the 2018 International Consumer Electronics Show (“CES”) in Las Vegas, the United States. In addition, its flagship new TV product series X5, C6 and P5 displayed at CES were conferred the “China Innovative Product Award”. On the 2017-2018 Global Top Brands Award Ceremony, organised by IDG, TCL 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”, reflecting the strength of the Group’s brand.

The market-leading positions of these TCL’s products were attributable to the comprehensive layout plan the Group has with regard to core display technologies and development and application of smart devices. These technologies enabled the Group to stay at the industry forefront. As new technologies continue to evolve, foresight in technology layout is becoming increasingly important. TCL has already built a proactive strategic framework for the application of artificial intelligence (AI), big data, display technology, etc. to prepare for the in-depth integration of these technologies and products.

## **Outlook**

2018 is the year of major sports events. The Winter Olympics Games, the FIFA World Cup and the Asian Games are expected to form new sales growth drivers for the industry. On 5 February 2018, the Group has entered into a global brand ambassador agreement with the popular Brazilian football star Neymar Jr. Going forward, TCL will launch with Neymar a series of innovative marketing activities to deepen TCL's penetration into Europe, North America and South America, as well as other emerging markets, aiming to improve TCL's strength in sports marketing and reinforce TCL's youthful and international brand image.

In the coming year, the Group will set its business strategy as "lead with products, innovate with technology, increase user loyalty, reform channels, pursue operational excellence, and operate globally". The Group will strengthen its business competitiveness in the PRC market, actively expand key overseas markets, establish intelligent manufacturing and industrial internet capabilities, and implement T+3 supply chain transformation.

Meanwhile, the Group will continue to fuel its growth with the dual strategy of "double +" and internationalisation to improve its core competitiveness, enhance profitability and achieve sustainable growth.

1. Continue to implement the "double +" strategic transformation: It will establish a customer-centric ecosystem based on platform operation to develop new business models; optimise software and hardware experiences, integrate product and operation platforms to improve user experience and enhance platform capability to expand its operation; and actively implement the TV+ business strategy in the overseas markets.
2. Continue to pursue internationalisation, strengthen and expand global distribution network: Leveraging its brand as the foundation, the Group will step up brand development to enhance brand image; enhance efficiency and implement structural transformation to establish operating models to deliver healthy and steady growth; strengthen and reinforce and enhance the performance of existing businesses to seek breakthroughs in North America, South America, Europe, India and Russia, etc.; invest in brand building, products, retail and global talents to improve core competencies.

3. Enhance core competitiveness and operational efficiency: It will continue to innovate and enhance R&D capability to maintain product competitiveness and diversification; implement vertical supply chain integration and intelligent and automated manufacturing to strengthen industrial manufacturing capability; optimise business and workflow to enhance operational efficiency, decrease system costs, facilitate production effectiveness and improve overall gross profit margin and profitability.

The Group has set a growth target for its LCD TV sales volume at approximately 10% to 25.60 million sets and approximately 13% to HK\$46 billion for its turnover for 2018. The Group will continue to pursue synergies across multiple industries within TCL Corporation Group and leverage the advantages in the vertical integration with Shenzhen China Star Optoelectronics Technology Co., Ltd. to be a forerunner in capitalising opportunities arising from the revolution of the industry to establish an eco-system enterprise based on smart TVs. Its aim is to provide customers with the best-in-class products and services and continue to create long-term values and return for shareholders.

In addition, in January 2018, the Group completed the rights issue which was over-subscribed by 7.9 times and raised a net proceed of approximately HK\$2.00 billion. The name of the Company will be changed to TCL Electronics Holdings Limited as a better reflection of the diversified business development direction. It will consolidate and expand its existing TV business while actively diversifying its business to develop smart AV and smart home businesses through investments, mergers and acquisitions, and restructuring to explore new business growth opportunities. The Group will integrate the TCL Corporation Group's internal and external quality business assets in respect of household appliances, further strengthen the linkage among product technologies, industrial chain, branding marketing, and international business, to maximise the Group's advantages through synergies. It will also cooperate with TCL Corporation Group and look for suitable investment targets and merger and acquisition opportunities in the industry chain through the establishment of strategic investment funds, to create an industry ecosystem.

At the same time, the Group will further expand in overseas markets, deepen global strategies, and continue to invest in R&D to accelerate the development of AI and internet-related applications, to become an internationally leading brand of consumer and household electronic products.

## **FINANCIAL REVIEW**

### **Significant Investments, Acquisitions and Disposals**

On 2 July 2017, the Group, Thunderbird Technology, an associate of the Group, Tencent Digital and other shareholders of Thunderbird Technology entered into a capital increase agreement, pursuant to which, Tencent Digital and the Group agreed to make capital contribution of RMB450 million and RMB30 million respectively to Thunderbird Technology. Upon the completion of the capital increase, the Group's interest in Thunderbird Technology will be reduced from approximately 54.05% to approximately 45.55%. The transaction was completed on 1 September 2017.

On 29 November 2017, the Group entered into a subscription agreement with Radio Victoria Fueguina S.A., Sontec S.A., RV TECH S.A. and JWG S.A. for subscription of 15% of total number of shares in each of Radio Victoria Fueguina S.A. and Sontec S.A. (collectively "Joint Venture Companies") for a subscription price with reference to the definitive net book value of the Joint Venture Companies.

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

### **Liquidity and Financial Resources**

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

The cash and bank balance of the Group as at 31 December 2017 amounted to approximately HK\$5,910,235,000, of which 0.7% was maintained in Hong Kong dollars, 45.2% in US dollars, 50.0% in Renminbi, 2.3% in Euros and 1.8% in other currencies for the overseas operation.

There was no material change in the available credit facilities when compared with those for the year ended 31 December 2016. The net carrying amounts of the Group's fixed assets held under finance leases included in the total amounts of furniture, fixtures and equipment and motor vehicles as at 31 December 2017 amounted to approximately HK\$2,967,000 (31 December 2016: HK\$3,755,000) and HK\$1,791,000 (31 December 2016: HK\$2,267,000), respectively.

As at 31 December 2017, the Group's gearing ratio was 0% since the Group's cash and bank balances of approximately HK\$5,910,235,000 were higher than the total interest-bearing borrowings of approximately HK\$2,926,790,000. The maturity profile of the borrowings ranged from one to three years.

## Pledge of Assets

As at 31 December 2017 and 2016, no asset of the Group was pledged.

## Capital Commitments and Contingent Liabilities

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

	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Contracted, but not provided for	<b>284,396</b>	75,690
Authorised, but not contracted for	<b>269,823</b>	253,075
	<b>554,219</b>	328,765

As at 31 December 2017, the Group did not have any material contingent liability not provided for in the consolidated financial statements.

## Pending Litigation

The Group was not involved in any material litigation as at 31 December 2017.

## Foreign Exchange Exposure

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

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

## Employee and Remuneration Policy

As at 31 December 2017, the Group had a total of 22,945 dynamic and talented employees. They were all dedicated to advancing the quality and reliability of our operations. Remuneration policy was reviewed regularly, making reference to current legislation, market condition and both the performance of individual and the Group. In order to align the interests of staff with those of shareholders, share options were granted to relevant grantees, including employees of the Group, under the Company's share option scheme. Share options for subscribing a total of 153,243,492 shares remained outstanding at the end of the reporting period.

A restricted share award scheme (the “Award Scheme”) was also adopted by the Company on 6 February 2008 (as amended or revised from time to time). Pursuant to the rules of the Award Scheme, existing shares would be purchased from the market or new shares would be subscribed for by a designated trustee, BOCI-Prudential Trustee Limited, out of cash contributed by the Company, and would be held on trust for the relevant grantees, including management and employees of the Group, until such shares are vested with the relevant grantees in accordance with the provisions of the Award Scheme.

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

There was no purchase, sale or redemption of shares for the year ended 31 December 2017.

## **EVENTS AFTER THE REPORTING PERIOD**

### **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 Shares on the basis of one Rights Shares 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 acceptance 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 aforesaid Prospectus and announcements of the Company.

### **Increase in authorised share capital**

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.

### **Adjustments in relation the share options**

As a result of the Rights Issue, adjustments has 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.

### **FINAL DIVIDEND**

The Board has proposed a final dividend, for the year ended 31 December 2017, of HK15.07 cents (2016: nil) in cash per share. Subject to approval at the forthcoming AGM on 23 May 2018, Wednesday, the said final dividend will be payable on or about 15 June 2018, Friday to shareholders whose names appear on the register of members of the Company on 28 May 2018, Monday.

### **RECORD DATE AND CLOSURE OF REGISTER OF MEMBERS**

To ascertain the entitlements to attend and vote at the AGM, members of the Company must lodge the relevant transfer document(s) and share certificate(s) at the Hong Kong branch share registrar of the Company, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 16 May 2018, Wednesday for registration. Members of the Company whose names are recorded in the register of members of the Company on 16 May 2018 are entitled to attend and vote at the AGM.

The record date for determining the entitlements of the shareholders of the Company to the proposed final dividend is 28 May 2018, Monday. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:30 p.m. on 28 May 2018, Monday. The Hong Kong register of members of the Company will be closed from 29 May 2018, Tuesday to 30 May 2018, Wednesday (both dates inclusive), during which no transfer of the shares may be registered.

### **AGM**

The AGM of the Company will be held on 23 May 2018, Wednesday. The notice of AGM will be published on the websites of the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") and despatched to the shareholders of the Company in due course.

## **PROPOSED CHANGE OF COMPANY NAME**

Reference is made to the announcement of the Company dated 28 November 2017 and the prospectus of the Company dated 28 December 2017 with regard to, among others, the proposed change of the English name of the Company from “TCL Multimedia Technology Holdings Limited” to “TCL Electronics Holdings Limited” and the Chinese name of the Company from “TCL多媒體科技控股有限公司” to “TCL電子控股有限公司” (the “Change of Company Name”) in which it was mentioned that an extraordinary general meeting will be convened and a special resolution will be proposed thereat for the shareholder(s) to consider and, if thought fit, approve, among other things, the Change of Company Name. In the interest of cost, a special resolution will be proposed at the forthcoming AGM (instead of a separate extraordinary general meeting) for the shareholders to consider, and if thought fit, approve, among other things, the Change of Company Name and in this regard no extraordinary general meeting will be convened.

The circular containing details of the Change of Company Name will be despatched to the shareholders of the Company in due course.

## **CORPORATE GOVERNANCE**

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

None of the directors of the Company is aware of any information which would reasonably indicate that the Company had not, throughout the year ended 31 December 2017, complied with the code provisions (the “Code Provisions”) set out in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, except for the deviation from the Code Provisions A.2.1, A.6.7, D.1.4, E.1.2 and F.1.1.

**Under Code Provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual.**

Mr. BO Lianming, (resigned as an executive director of the Company with effect from 2 March 2018) the former Chief Executive Officer (“CEO”) of the Company, has been appointed as the Chairman of the Board with effect from 22 September 2017 and resigned as the CEO of the Company with effect from 1 October 2017. For the brief period of 10 days from 22 September 2017 to 1 October 2017, the roles of the Chairman and CEO were performed by the same individual. Such arrangement was transitional pending the appointment of Mr. WANG Cheng Kevin as the CEO of the Company coming into effect from 1 October 2017 and the roles of the Chairman and the CEO had been separated since then.



**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 and Mr. LIU Hong, being non-executive directors of the Company, and Mr. Abulikemu ABULIMITI, being the then non-executive director of the Company and Professor SO Wai Man Raymond, being the then independent non-executive director of the Company, were not present at the annual general meeting (“2017 AGM”) of the Company and the extraordinary general meeting of the Company (“May EGM”) both held on 23 May 2017; and
- (2) Mr. HUANG Xubin, Mr. ZHANG Zhiwei and Mr. LIU Hong, being non-executive directors of the Company and Mr. Robert Maarten WESTERHOF and Professor WANG Yijiang, being independent non-executive directors of the Company, were not present at the extraordinary general meeting of the Company held on 22 December 2017 (“December EGM”).

However, save as disclosed above, all the other non-executive directors and independent non-executive directors attended the 2017 AGM, May EGM and December 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 an executive director of the Company with effect from 2 March 2018), being the then executive director of the Company, Mr. Albert Thomas DA ROSA, Junior and Mr. HUANG Xubin, both being non-executive directors of the Company, and Mr. Robert Maarten WESTERHOF and Dr. TSENG Shieng-chang Carter, both being independent non-executive directors of the Company and Mr. LI Dongsheng (before his resignation as an executive director of the Company with effect from 22 September 2017) as most of them have been serving as directors for a considerable period of time, a clear understanding of the terms and conditions of their appointment already exists between the Company and the directors, and so there is no written record of the same. In any event, all directors, including those without a letter of appointment and those appointed for a specific term, shall be subject to retirement by rotation in the manner prescribed under the articles of association of the Company and on re-election of the retiring directors, shareholders are given information that is reasonably necessary for them to make an informed decision on the reappointment of the relevant directors.

**Under Code Provision E.1.2, the chairman of the board should attend the 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 (i) Mr. LI Dongsheng, being the then Chairman of the Board and an executive director of the Company; and (ii) Professor SO Wai Man Raymond, being the then chairman of the Audit Committee of the Company and an independent non-executive director of the Company were not present at the 2017 AGM. However, Dr. TSENG Shieng-chang Carter, being the chairman of the Remuneration Committee and an independent non-executive director of the Company and Professor WANG Yijiang, being the chairman of the Nomination Committee and an independent non-executive director of the Company were present at the 2017 AGM to maintain an ongoing dialogue and communicate with the shareholders and encourage their participation.

Due to other pre-arranged business commitments which must be attended to by Professor SO Wai Man Raymond, being the then chairman of the Independent Board Committee of the Company and an independent non-executive director of the Company was not present at the May EGM for the approval of the connected transaction. However, all other members of the Independent Board Committee of the Company attended the May EGM and were available to answer questions thereat.

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

The company secretary of the Company, Ms. CHOY Fung Yee ("Ms. CHOY") is a partner of the Company's legal advisor, Messes. Cheung Tong & Rosa Solicitors. The Company has also assigned Mr. SIN Man Lung, financial controller 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 Ms. CHOY and the Group, Ms. CHOY are very familiar with the operations of the Group and have 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.

## **AUDIT COMMITTEE**

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2017, including the accounting principles adopted by the Group, with the Company's management. The Audit Committee comprises four members including Mr. LAU Siu Ki (Chairman), Dr. TSENG Shieng-chang Carter and Professor WANG Yijiang, all being independent non-executive directors of the Company, and Mr. HUANG Xubin, being a non-executive director of the Company.

## **SCOPE OF WORK ON THE ANNUAL RESULTS ANNOUNCEMENT BY AUDITOR**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement have been agreed by the Company's auditor, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagements in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

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

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

## **COMPLIANCE WITH DEED OF NON-COMPETITION**

The Company has received two confirmations (the “Confirmations”) from TCL Corporation and T.C.L. Industries Holdings (H.K.) Limited (collectively the “Covenantors”) signed by them confirming that for the period from 1 January 2017 to 31 December 2017 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 of the Company have reviewed the Confirmations and all of them are satisfied that the Deed of Non-Competition has been complied with during the year.

On behalf of the Board  
**LI Dongsheng**  
*Chairman*

Hong Kong, 28 March 2018

*As at the date of this announcement, the Board comprises LI Dongsheng, WANG Cheng Kevin, YAN Xiaolin and WANG Yi Michael as executive directors, Albert Thomas DA ROSA, Junior, HUANG Xubin, ZHANG Zhiwei and LIU Hong as non-executive directors and Robert Maarten WESTERHOF, TSENG Shieng-chang Carter, WANG Yijiang and LAU Siu Ki as independent non-executive directors.*