Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01070)

RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2018

FINANCIAL HIGHLIGHTS

Unaudited results for the six months ended 30 June

	2018	2017	**Change**
	(HK$M)	*(HK$M)*	
		(Restated)	
Turnover	**21,050**	17,023	**23.7%**
Gross profit	**3,220**	2,626	**22.6%**
Operating profit	**762**	198	**284.5%**
Net profit after tax	**571**	144	**297.2%**
Profit attributable to owners of the parent	**572**	151	**278.6%**
Basic earnings per share *(HK cents)*	**26.72**	8.83	**202.6%**
Interim dividend per share *(HK cents)*	**9.80**	3.90	**151.3%**

BUSINESS REVIEW OF THE GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2018

- **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 renamed "TCL Electronics Holdings Limited" from "TCL Multimedia Technology Holdings Limited" on 23 May 2018. In virtue of its industry-leading competitive edge, the Company consolidated and expanded its existing TV business while at the same time successively developed 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 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 liquid-crystal-display ("LCD") TVs exceeded the 10.00 million sets mark to reach 13.17 million sets in the first half of 2018, a 37.2% surge year-on-year, which represented the completion of 51.5% of its annual sales target of 25.60 million sets. The sales volume in both 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%. Steadfast in cost reduction and efficiency enhancement, the effect of expense control is significant and 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 accounted to a record high of HK$572 million, representing a significant increase of 278.6%. Basic earnings per share was HK26.72 cents. The Board declared an interim dividend of HK9.80 cents per share, dividend payout ratio was 40%.

- **Continuous Improvement of Product Mix and Significant Enhancement on Product Competitiveness**

  The sales volume of Smart TV and 4K TV grew significantly to 9.38 million sets and 3.77 million sets respectively, representing a year-on-year increase of 53.3% and 69.4% respectively in the first half of the year, among which the proportion of Smart TV and 4K TV sales volume in the PRC market (excluding ODM business) increased from 75.1% and 40.6% respectively in the same period of last year to 81.5% and 53.2% respectively. According to the China Market Monitor Co., Ltd ("CMM") omni-channel data, the Group's curved TV occupied a market share of 35.3% and retained No.1 position in the PRC market (excluding ODM business); and the brand price index of TVs in the PRC market jumped from 99 in the corresponding period of last year to 113, remained ranking No.1 position. The proportion of Smart TV and 4K TV sales volume in overseas markets (excluding ODM business) rose remarkably from 77.0% and 19.3% in the first half of 2017 to 82.4% and 34.9% respectively in the same period of 2018.

- **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 terms of sales volume 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.

- **Continuous Expansion on Internet Users Base and the Monetization Capability Further Enhanced**

  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 was 12,814,096 (Source: Huan Technology Co., Ltd. ("Huan")). In the first half of 2018, the revenue generated from Internet business sharply increased by 318.2% year-on-year to approximately RMB126 million.

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

		Six months ended 30 June		Three months ended 30 June	
		2018	2017	**2018**	2017
		(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
			(Restated)		*(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)
		761,965	198,160	**463,971**	97,734
Finance costs	5	**(25,868)**	(52,025)	**(12,184)**	(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

	Six months ended 30 June		Three months ended 30 June	
	2018	2017	**2018**	2017
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
OTHER COMPREHENSIVE INCOME/(LOSS)				
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:				
Cash flow hedge:				
Effective portion of changes in fair value of the hedging instruments arising during the period	**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

	Note	Six months ended 30 June		Three months ended 30 June	
		2018	2017	**2018**	2017
		(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
		HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
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
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		*(Restated)*		
Basic		**HK26.72 cents**	HK8.83 cents		
			(Restated)		
Diluted		**HK26.00 cents**	HK8.64 cents		

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**30 June 2018 (unaudited)** *HK$'000*	31 December 2017 (audited) *HK$'000*
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

	Notes	30 June 2018 (unaudited) HK$'000	31 December 2017 (audited) HK$'000
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
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
		9,827,221	7,628,724
Non-controlling interests		**66,821**	67,793
Total equity		**9,894,042**	7,696,517

Notes:

1. BASIS OF PREPARATION

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

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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").

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.

(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 and other 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.

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 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.

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	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	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 – manufacture and sale of smart audio-visual product; 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.

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

5. FINANCE COSTS

	Six months ended 30 June	
	2018	2017
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
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)
	HK$'000	*HK$'000*
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

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

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

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, the Group has transferred substantially all the risks and rewards of ownership in respect of the relevant factored receivables to banks.

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.

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.

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.

During the six months ended 30 June 2018, the subscription rights attaching to 3,093,917, 39,261 and 77,450 share options were exercised at the subscription prices of 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$15,174,000 before expenses.

14. COMPARATIVE AMOUNTS

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

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 and was mainly attributable to:

1. The significant increase in both the sales volume and revenue of LCD TV in the first half of 2018, amongst which the sales volume growth rate once again hit a five-year new high. The PRC market and the overseas markets maintained a steady increase. Particularly, the overseas markets performed extremely well, which the North American market kept a stable growth, the emerging markets developed rapidly, and the European market grew significantly, as compared to that of the corresponding period in 2017;

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 price 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.

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 renamed "TCL Electronics Holdings Limited" from "TCL Multimedia Technology Holdings Limited" on 23 May 2018. In virtue of its industry-leading competitive edge, TCL Electronics consolidated and expanded its existing TV business while at the same time successively developed 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 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, a 37.2% surge year-on-year, which represented the completion of 51.5% of its annual sales target of 25.60 million sets. The sales volume in both 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%. Steadfast in cost reduction and efficiency enhancement, the effect of expense control is significant and 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 accounted to a record high of HK$572 million, representing a significant increase of 278.6%. Basic earnings per share was HK26.72 cents. The Board declared an interim dividend of HK9.80 cents per share, dividend payout ratio was 40%.

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:

Sales Volume of LCD TVs	**2018 1H** *('000 sets)*	2017 1H *('000 sets)*	**Change**	**2018 Q2** *('000 sets)*	2017 Q2 *('000 sets)*	**Change**
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 market	**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

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

PRC Market

Product Mix Improved, Profitability Enhanced

Sales volume significantly increased year-on-year and exceeded industry average: Committed to its premium product strategy, the Group continues 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 up 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, in the first half of the year, the average selling price of the Group's LCD TVs in the PRC market (excluding ODM business) increased by 3.0% year-on-year.

Gross profit margin rose year-on-year: Benefitting from the further enhancement in product mix and continuous decline of panel price 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 on period.

Remarkable growth in operating results: Fuelled by significantly enhanced 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.

The product mix in the PRC market kept enhancing in the first half of 2018 (data below excluded ODM business):

- Smart TV sales volume reached 2.47 million sets, accounting for 81.5% of LCD TV sales volume, 6.4 percentage points higher than the 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, 12.6 percentage points higher than the 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 TV increased from 45.5 inches in the corresponding period of last year to 47.1 inches.

- Market share of curved TVs grew up to 35.3%, maintaining 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 significantly exceeded 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 was 11.4% and 12.9% in terms of sales volume and turnover respectively, both ranking No.3 in the PRC market.

Overseas Markets

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

Speeded Up Global Brand Building, Sales Volume Increased Remarkably in Key Countries

Having spent years of dedicated effort in developing key overseas markets, optimizing product mix and enhancing product competitiveness, plus armed with 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 aims of exploring European market 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 TV in overseas markets in the first half of the year, grew up 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 TV 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 price and optimized product mix. Gross profit margin of the Group's LCD TV in overseas market 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%.

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 enhance:

- 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 sterling results, with sales volume markedly improved by 82.0% year-on-year. In the first half of 2018, the Group ranked 3rd position in Philippines, 4th position in Vietnam, and 5th position 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 (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 TV 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 TV increased from 38.5 inches in the first half of 2017 to 41.3 inches in the first half of 2018.

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, promoted the "Smart + Internet" new business model across the board 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 up by 90.1% against 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, expansion of the scale of users and the enhanced proportion of operational user-end terminals, the Group was able to boost advertising revenue, video-on-demand income, membership income and monetization capacity of services. It also saw increased membership card sales volume and was able to encourage the pay-to-view habit among users and continue to optimize its revenue structure, plus extended its income stream to covering overseas markets. The monetization capacity of the Internet business was continuously enhanced, achieving turnover of approximately RMB 126 million in the first half of 2018, grew up by 318.2% year-on-year. Of which, turnover for advertising business was approximately RMB 60.92 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 RMB 52.94 million, accounting for 41.9% of the total turnover.

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 Intelligent (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 RMB 300 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 represented 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, that it may inject fresh energy into its various product series, striving to develop TVs into an important smart terminal of future homes.

Regarding A.I., 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 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.

In terms of 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 leading technology and global digital network certification – a first mover advantage – enjoyed by the Group in the overseas market, it is able to achieve comprehensive product coverage abroad. In the future, based on the existing open A.I. structure, it will strive to integrate the smart TV and smart speaker to pave way for development and application of A.I. 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 this August 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. On 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.

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, deepen implementation of business diversification strategy, establish a smart home ecosystem, actively explore new profit growth drivers 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 ("Onkyo"), established TCL Entertainment Solutions Limited ("TES"), 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 TCL Commercial Information Technology (Huizhou) Co., Ltd. ("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 TCL Corporation Group's internal and external quality business assets in respect of household appliances and further strengthen the linkage among product technologies, industrial chain, branding marketing 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 International High-end Brand and Penetrate Emerging Markets Worldwide***

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 methods in sports and entertainment to increase TCL's global market share and brand competitiveness, and strengthen its business on a global scale.

3. ***"Products + Services" Strategy Drives Technological Innovation "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 Artificial Intelligence (A.I.), enhance Internet business, continuously enhance "product + service" operational capabilities, and comprehensively improve product core competitiveness and user experience, enlarge the scale of users and boost the monetization capacity 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 supply chain vertical integration and by promoting 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 in the vertical integration with Shenzhen China Star Optoelectronics Technology Co., Ltd ("CSOT"), with the aims 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.

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 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 Prospectus and announcements of the Company.

Significant Investments, Acquisitions and Disposals

On 23 March 2018, TTE Corporation, a wholly-owned subsidiary of the Company, entered into a subscription agreement with the TCL Ventures Inc. as 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., constituting approximately 20% of its total capital commitment. In addition, Shenzhen TCL New Technology Company Limited ("TCL New Technology", a subsidiary of the Company) entered into a partnership agreement with Huizhou TCL Kaichuang Enterprise Management Co., Ltd. as general partner and TCL Corporation and CSOT as limited partner, in relation to the establishment of 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 Shenzhen TCL Strategic Share Investment Fund Limited Partnership (Limited Partnership), constituting approximately 19.9% of its total capital commitment.

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 Sale & Purchase Agreement with TCL Technology Industrial Park (Shenzhen) Co., Ltd. ("TCL Industrial Park", a subsidiary of TCL Corporation), pursuant to which TCL New Techology has agreed to transfer the Assets and the Business (as defined in announcement of the Company dated 10 May 2018) to TCL Industrial Park, and that the Purchaser has agreed to acquire the Assets and the Business and to assume the Liabilities, 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”), Le Shi 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 RMB 0.3 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 Appliances (Huizhou) Company Limited 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 TCL Commercial Information Technology (Huizhou) Co., Ltd. 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.

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.

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 256,854,321 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. Pursuant to which existing shares would be purchased from the market or new shares would be subscribed for by a designated trustee out of cash contributed by the Company, and would be held on trust for the relevant grantees until such shares are vested with the relevant grantees in accordance with the provisions of the Award Scheme.

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.

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 of the Company 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.

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

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

(1) Mr. HUANG Xubin, being a non-executive director of the Company, Mr. ZHANG Zhiwei and Mr. LIU Hong, being the then non-executive directors of the Company, and Mr. Robert Maarten WESTERHOF and Dr. TSENG Shieng-chang Carter, being the independent non-executive directors of the Company, were not present at the extraordinary general meeting of the Company held on 25 January 2018 ("January EGM"); and

(2) Mr. HUANG Xubin, being a non-executive director of the Company, and Mr. ZHANG Zhiwei and Mr. LIU Hong, being the then non-executive directors of the Company 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 of the Company with effect from 2 March 2018) being a 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 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 Mr. LI Dongsheng, being the Chairman of the Board and an executive director of the Company 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 of the Company, 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 2018 AGM to maintain an ongoing dialogue and communicate with the shareholders and encourage their participation.

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

The company secretary of the Company, Ms. CHOY Fung Yee ("Ms. CHOY") 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.

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 Shieng-chang Carter and Professor WANG Yijiang, all being independent non-executive directors of the Company, and Mr. HUANG Xubin, a non-executive director of the Company.

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. 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.

On behalf of the Board
LI Dongsheng
Chairman

Hong Kong, 24 August 2018

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