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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 SIX MONTHS ENDED 30 JUNE 2016

FINANCIAL HIGHLIGHTS

Unaudited results for the six months ended 30 June

	2016 *(HK$M)*	2015 *(HK$M)*	**Change**
Turnover	**14,227**	15,397	(7.6%)
Gross profit	**2,470**	2,503	(1.3%)
Operating profit	**177**	199	(11.1%)
Net profit after tax	**88**	122	(28.3%)
Profit attributable to owners of the parent	**95**	136	(30.3%)
Basic earnings per share *(HK cents)*	**6.54**	10.25	(36.2%)

BUSINESS HIGHLIGHTS OF THE GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2016

- The Group sold 8.56 million sets of LCD TVs, up by 10.9% year-on-year. Sales volume of LCD TVs in the PRC Market increased by 4.6% year-on-year to 4.28 million sets, while sales volume of LCD TVs in the Overseas Markets grew by 18.0% year-on-year to 4.28 million sets.

- The Group achieved a turnover of HK$14.23 billion, fell by 7.6% year-on-year. Gross profit dropped slightly by 1.3% when compared with that in the same period of last year to HK$2.47 billion, gross profit margin rose from 16.3% of the same period of last year to 17.4%. Operating profit was HK$180 million, net profit after tax was HK$87.80 million. Profit attributable to owners of the parent amounted to HK$94.69 million. Basic earnings per share was HK6.54 cents.

- With continued product mix enhancements, the proportion of high-end products (new products such as quantum dot, curved, 4K and large screen, etc.) has been steadily increasing. Sales volume of smart TVs in the PRC Market (excluding ODM business) increased by 16.1% year-on-year to 2.28 million sets, which accounted for 62.6% of the Group's LCD TV sales volume in the PRC Market. Sales volume of 4K TVs in the PRC Market (excluding ODM business) amounted to 1.23 million sets, which accounted for 33.9% of the Group's LCD TV sales volume in the PRC Market. Market share of curved TVs in the PRC Market (excluding ODM business) in June was 30.8%, maintaining its No.1 position among the domestic brands in the market (Source: China Market Monitor Co., Ltd. ("CMM")).

- The accumulated number of TCL activated smart TV users of the Group totalled 14,557,671, the daily average number of active users in June 2016 was 6,244,653 (Source: Huan Technology Co., Ltd. ("Huan")).

- The Group ranked No.3 in the global LCD TV market with a market share of 6.5% in the first quarter of 2016 according to the latest IHS Technology figures and Company data, and ranked No.3 in the PRC LCD TV market with a market share of 15.0% in the first half of 2016 according to CMM's report.

The board of directors (the "Board") of TCL Multimedia Technology Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results and financial position of the Company and its subsidiaries (collectively, the "Group") for the six months and three months ended 30 June 2016 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	
		2016	2015	**2016**	2015
		(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
TURNOVER	4	**14,226,635**	15,397,057	**6,869,048**	7,111,819
Cost of sales		**(11,756,603)**	(12,893,787)	**(5,782,139)**	(5,797,139)
Gross profit		**2,470,032**	2,503,270	**1,086,909**	1,314,680
Other revenue and gains		**172,699**	186,831	**89,729**	68,774
Selling and distribution expenses		**(1,726,845)**	(1,719,116)	**(795,432)**	(911,994)
Administrative expenses		**(535,595)**	(481,658)	**(240,874)**	(202,016)
Research and development costs		**(203,727)**	(288,498)	**(93,802)**	(158,195)
Other operating expenses		**–**	(2,124)	**–**	(2,118)
		176,564	198,705	**46,530**	109,131
Finance costs	5	**(46,700)**	(82,348)	**(18,579)**	(46,506)
Share of profits and losses of:					
Joint ventures		**(20,472)**	(19,858)	**(10,690)**	(12,256)
Associates		**6,502**	(5,439)	**6,098**	(4,659)
PROFIT BEFORE TAX	6	**115,894**	91,060	**23,359**	45,710
Income tax credit/(expense)	7	**(28,098)**	31,355	**(11,663)**	36,584
PROFIT FOR THE PERIOD		**87,796**	122,415	**11,696**	82,294
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		**2,650**	12,064	**30,489**	(29,632)
Reclassification adjustments for losses/(gains) included in the consolidated statement of profit or loss		**(5,299)**	185	**–**	–
		(2,649)	12,249	**30,489**	(29,632)

	Notes	Six months ended 30 June **2016** **(unaudited)** ***HK$'000***	2015 (unaudited) *HK$'000*	Three months ended 30 June **2016** **(unaudited)** ***HK$'000***	2015 (unaudited) *HK$'000*
Exchange fluctuation reserve:					
Translation of foreign operations		**(103,004)**	1,349	**(126,836)**	15,689
Release upon liquidation and disposal of subsidiaries		**4,369**	(400)	**4,369**	(400)
Release upon deemed partial disposal of an associate		**–**	1	**–**	1
		(98,635)	950	**(122,467)**	15,290
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		**(101,284)**	13,199	**(91,978)**	(14,342)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		**(13,488)**	135,614	**(80,282)**	67,952
Profit/(loss) attributable to:					
Owners of the parent		**94,694**	135,803	**20,814**	90,224
Non-controlling interests		**(6,898)**	(13,388)	**(9,118)**	(7,930)
		87,796	122,415	**11,696**	82,294
Total comprehensive income/(loss) attributable to:					
Owners of the parent		**(4,482)**	149,068	**(68,424)**	75,318
Non-controlling interests		**(9,006)**	(13,454)	**(11,858)**	(7,366)
		(13,488)	135,614	**(80,282)**	67,952
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9				
Basic		**HK6.54 cents**	HK10.25 cents		
Diluted		**HK6.25 cents**	HK10.16 cents		

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2016 (unaudited)** *HK$'000*	31 December 2015 (audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**1,942,086**	2,062,753
Prepaid land lease payments		**127,880**	131,849
Goodwill		**134,933**	134,933
Other intangible assets		**1,272**	1,428
Investments in joint ventures		**35,589**	46,118
Investments in associates		**452,378**	470,696
Available-for-sale investments		**104,777**	106,891
Deferred tax assets		**24,173**	25,840
Total non-current assets		**2,823,088**	2,980,508
CURRENT ASSETS			
Inventories		**3,196,556**	3,282,921
Trade receivables	10	**5,198,866**	5,537,759
Bills receivable		**2,727,071**	2,721,173
Other receivables		**1,434,864**	1,351,429
Tax recoverable		**22,976**	8,593
Pledged deposits		**–**	80,881
Cash and bank balances		**2,680,839**	2,214,927
Total current assets		**15,261,172**	15,197,683
CURRENT LIABILITIES			
Trade payables	11	**5,646,965**	5,540,820
Bills payable		**859,027**	1,656,855
Other payables and accruals		**2,895,730**	3,503,917
Interest-bearing bank and other borrowings	12	**532,092**	1,460,437
Due to T.C.L. Industries	13	**–**	7,751
Tax payable		**58,618**	129,471
Provisions		**340,789**	305,381
Total current liabilities		**10,333,221**	12,604,632
NET CURRENT ASSETS		**4,927,951**	2,593,051
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,751,039**	5,573,559

	Notes	**30 June 2016 (unaudited)** ***HK$'000***	31 December 2015 (audited) *HK$'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,751,039**	5,573,559
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	12	**3,432**	5,071
Due to T.C.L. Industries	13	**1,094,519**	1,131,617
Deferred tax liabilities		**25,752**	28,141
Total non-current liabilities		**1,123,703**	1,164,829
Net assets		**6,627,336**	4,408,730
EQUITY			
Equity attributable to owners of the parent			
Issued capital	14	**1,736,424**	1,386,361
Reserves		**4,787,774**	2,910,225
		6,524,198	4,296,586
Non-controlling interests		**103,138**	112,144
Total equity		**6,627,336**	4,408,730

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 2015.

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 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance, except for the adoption of the revised HKFRSs as disclosed in note 2 below.

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

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 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements to HKFRSs 2012 – 2014 Cycle	Amendments to a number of HKFRSs

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

3. ISSUED BUT NOT YET EFFECTIVE HKFRSs

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

HKFRS 9	*Financial Instruments*[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 15	*Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] No mandatory effective date is determined but is available for early 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 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.

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		Others		Consolidated	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Sales to external customers	**8,589,482**	10,051,028	**5,553,399**	5,276,966	**83,754**	69,063	**14,226,635**	15,397,057
Segment results	**197,554**	518,160	**123,152**	(219,401)	**13,931**	(29,232)	**334,637**	269,527
Corporate expenses, net							**(167,719)**	(100,344)
Finance costs							**(46,700)**	(82,348)
Interest income							**9,646**	29,522
Share of profits and losses of:								
Joint ventures	**–**	–	**6,034**	(2,067)	**(26,506)**	(17,791)	**(20,472)**	(19,858)
Associates	**(3,939)**	49	**–**	–	**10,441**	(5,488)	**6,502**	(5,439)
Profit before tax							**115,894**	91,060
Income tax credit/(expense)							**(28,098)**	31,355
Profit for the period							**87,796**	122,415

5. FINANCE COSTS

	Six months ended 30 June	
	2016	2015
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Interest on:		
Bank loans and overdrafts	**35,069**	77,524
Loans from T.C.L. Industries	**10,678**	3,847
Loans from an associate	**530**	977
Finance lease	**423**	–
Total finance costs for the period	**46,700**	82,348

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2016	2015
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Depreciation	**119,427**	127,645
Amortisation of other intangible assets	**115**	204
Amortisation of prepaid land lease payments	**1,918**	2,130
Employee share-based compensation benefits under the Award Scheme	**28,478**	1,571
Equity-settled share option expense	**53,459**	10,937

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (30 June 2015: 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	
	2016	2015
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Current tax – Hong Kong		
Charge for the period	**–**	2,242
Underprovision in prior periods	**53**	–
Current tax – Elsewhere		
Charge for the period	**24,554**	12,813
Underprovision/(overprovision) in prior periods	**4,566**	(44,837)
Deferred tax	**(1,075)**	(1,573)
Total tax expense/(credit) for the period	**28,098**	(31,355)

8. DIVIDENDS

The Board does not recommend the payment of any dividend for the six months ended 30 June 2016 (30 June 2015: Nil).

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	
	2016	2015
	(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	**94,694**	135,803

	Number of shares Six months ended 30 June	
	2016	2015
	(unaudited)	(unaudited)
Shares		
Weighted average number of ordinary shares in issue less shares held for Award Scheme during the period used in the basic earnings per share calculation	**1,447,511,680**	1,324,970,448
Effect of dilution – weighted average number of ordinary shares:		
Share options	**30,127,594**	11,113,413
Awarded shares	**38,458,681**	–
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation	**1,516,097,955**	1,336,083,861

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 periods 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 balances. Trade receivables are non-interest-bearing.

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

	30 June 2016 (unaudited)	31 December 2015 (audited)
	HK$'000	*HK$'000*
Current to 90 days	**3,646,876**	3,993,987
91 to 180 days	**317,504**	536,398
181 to 365 days	**594,789**	829,629
Over 365 days	**639,697**	177,745
	5,198,866	5,537,759

The Group has entered into certain receivables purchase agreements with banks for the factoring of trade receivables with certain designated customers. As at 31 December 2015, HK$827,000 of trade receivables factored to banks were fully derecognised from the consolidated statement of financial position because, in the opinion of the directors, the Group had transferred substantially all the risks and rewards of ownership in respect of the relevant factored receivables to banks.

11. TRADE PAYABLES

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

	30 June 2016 (unaudited) *HK$'000*	31 December 2015 (audited) *HK$'000*
Current to 90 days	**5,402,824**	5,308,227
91 to 180 days	**74,974**	89,545
181 to 365 days	**66,994**	52,823
Over 365 days	**102,173**	90,225
	5,646,965	5,540,820

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

12. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2016 (unaudited) *HK$'000*	31 December 2015 (audited) *HK$'000*
Current		
Bank loans – unsecured	**322,172**	1,330,950
Trust receipt loans – unsecured	**71,499**	125,438
Finance lease payables	**3,968**	4,049
Loans from an associate – unsecured	**134,453**	–
	532,092	1,460,437
Non-current		
Finance lease payables	**3,432**	5,071
	535,524	1,465,508
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**393,671**	1,456,388
Loans from an associate repayable:		
Within one year	**134,453**	–
Finance lease repayable:		
Within one year	**3,968**	4,049
In the second year	**3,432**	3,502
In the third year	**–**	1,569
	7,400	9,120
	535,524	1,465,508

Notes:

(a) As at 30 June 2016 and 31 December 2015, 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$45,504,000 (31 December 2015: HK$720,850,000) as at the end of the reporting period.

13. DUE TO T.C.L. INDUSTRIES

T.C.L. Industries Holdings (H.K.) Limited ("T.C.L. Industries") is the immediate holding company of the Company. The aggregate amounts due to T.C.L. Industries of HK$1,094,519,000 (31 December 2015: HK$1,139,368,000) are unsecured, bear interest at a fixed rate of 1.9564% and LIBOR+1.8% (31 December 2015: fixed rates of 0.8441% and 1.9564%, and LIBOR +1.8%) per annum, and is repayable in the second year (31 December 2015: HK$7,751,000 was repayable within one year while the remaining amount of HK$1,131,617,000 was repayable in the second year).

14. SHARE CAPITAL

	30 June 2016 (unaudited) ***HK$'000***	31 December 2015 (audited) *HK$'000*
Authorised:		
2,200,000,000 shares of HK$1.00 each	**2,200,000**	2,200,000
Issued and fully paid:		
1,736,424,165 (31 December 2015: 1,386,361,214) shares of HK$1.00 each	**1,736,424**	1,386,361

During the six months ended 30 June 2016, the movements in the Company's issued share capital account were as follows:

(a) The subscription rights attaching to 1,024,000 and 188,951 share options were exercised at the subscription prices of HK$3.17 and HK$3.48 per share, respectively, resulting in the issue of an aggregate of 1,212,951 shares of HK$1.00 each for a total cash consideration of HK$3,904,000 before expenses.

(b) On 11 December 2015, the Company entered into a subscription agreement with an independent subscriber, pursuant to which the subscriber agreed to subscribe and the Company agreed to allot and issue 348,850,000 new shares at HK$6.50 per share for an aggregate subscription price of HK$2,267,525,000. The subscription was completed on 11 May 2016.

15. COMPARATIVE AMOUNTS

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

BUSINESS REVIEW FOR THE SIX MONTHS ENDED 30 JUNE 2016

During the reporting period, TV market demand in the PRC experienced stagnant growth. According to the report from CMM, overall sales volume of LCD TVs in the PRC market in the first half of 2016 decreased by 6.8% year-on-year. Due to the year-on-year decline in average selling price of products caused by intensive market competition, continued depreciation of Renminbi as well as the decrease in panel price, the Group's turnover for the first half of 2016 dropped year-on-year. Nevertheless, resulting from the Group's continuous improvement in product mix and operational efficiency during the period under review, gross profit margin rose from 16.3% in the same period of last year to 17.4%.

The Group's turnover in the first half of 2016 was HK$14.23 billion, falling by 7.6% year-on-year. Gross profit dropped slightly by 1.3% year-on-year to HK$2.47 billion, gross profit margin rose from 16.3% in the same period of last year to 17.4%. Operating profit was HK$180 million, net profit after tax was HK$87.80 million. Profit attributable to owners of the parent amounted to HK$94.69 million. Basic earnings per share was HK6.54 cents.

The decline in turnover led to a higher expense ratio in the first half of 2016, coupled with shrinking gross profit margin triggered by market price decrease and panel price increase in the PRC Market in the second quarter, the overall profit decreased year-on-year. The Group will adopt product mix adjustment and improvement to increase gross profit margin and profitability in the second half of the year.

The Group ranked No.3 in the global LCD TV market with a market share of 6.5% in the first quarter of 2016 according to the latest IHS Technology figures and Company data, and ranked No.3 in the PRC LCD TV market with a market share of 15.0% in the first half of 2016 according to CMM's report.

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

	1H 2016 *('000 sets)*	1H 2015 *('000 sets)*	**Change**
LCD TVs	**8,557**	7,716	10.9%
of which: Smart TVs	**4,085**	2,286	78.7%
— PRC Market	**4,281**	4,092^	4.6%
— Overseas Markets	**4,276**	3,624^	18.0%

^ Restated

	Accumulated total as of 30 June 2016	June 2016	June 2015	Change	1H 2016	1H 2015	Change
Number of TCL activated smart TV users[1]	**14,557,671**	**343,559**	429,035	(19.9%)	**2,632,815**	2,315,801	13.7%
Daily average number of active users[2]	**N/A**	**6,244,653**	3,440,254	81.5%	**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

In the first half of 2016, the Group's LCD TV sales volume in the PRC Market increased by 4.6% year-on-year to 4.28 million sets, turnover fell by 14.5% year-on-year to HK$8.59 billion. Mainly due to the intense market competition, 6.1% year-on-year depreciation in the average exchange rate of Renminbi against Hong Kong dollars in the first half of 2016 as well as panel price decline, the average selling price of TVs decreased by 18.3% year-on-year, which caused the gross profit margin to fall slightly from 20.9% in the same period of last year to 20.3%.

With continued product mix enhancements, the proportion of mid-to-high-end products has been steadily increasing in the first half of 2016 (Data below excluded ODM business).

- Smart TV sales volume increased by 16.1% year-on-year to 2.28 million sets, which accounted for 62.6% of the LCD TV sales volume, rising from 50.7% in the same period of last year.

- 4K TV sales volume was 1.23 million sets, which accounted for 33.9% of the LCD TV sales volume, rising from 13.8% in the same period of last year.

- Market share of curved TVs was 30.8% in June, maintaining its No.1 position among the domestic brands in the market (Source: CMM). The proportion of curved TV sales volume to the Group's LCD TV sales volume in the PRC Market rose from 0.8% in the same period of last year to 7.4%.

- Proportion of the sales volume of products with screen size of 55 inches and above increased from 14.2% of LCD TV sales volume in the same period of last year to 25.4%.

- The average size of TVs sold increased from 41.1 inches in the same period of last year to 43.7 inches.

According to CMM's report, TCL's accumulated LCD TV brand price index increased from 84 in the same period of last year to 92 in June 2016, reducing the disparity among major competitors.

The Group continued to promote the integration of online and offline channels and strengthen co-promotion with multi-channels by carrying out cross-industry cooperation. Proportion of sales volume from electronic business sales channels increased from 14.1% in the first half of 2015 to 20.2% in the first half of 2016.

Overseas Markets

Despite the decrease in the average selling price of products, the operating results of the Group's Overseas Markets have improved significantly along with continuously optimised sales channel establishment and product mix, and the increasing proportion of sales volume of high-end products such as big screen, 4K and curved TVs. Sales volume of LCD TVs in the first half of 2016 increased by 18.0% year-on-year to 4.28 million sets, turnover was up by 5.9% year-on-year to HK$5.55 billion, gross profit margin rose to 12.5% from 7.5% in the same period of last year.

Performance in the Overseas Markets for the first half of 2016:

- In the North American Market, LCD TV sales volume surged by 165.0% year-on-year, with its ranking of market share, in terms of sales volume, climbing from No.15 in the same period of last year to No.8 from January to June 2016 (Source: GfK).

- LCD TV sales volume in the Emerging Markets rose by 36.4% year-on-year, of which market shares, in terms of sales volume, in Thailand, Vietnam and Australia have increased. The Group ranked No.3, No.4 and No.5, respectively, in those markets from January to June 2016 (Source: GfK).

- LCD TV sales volume in the European Market rose by 13.1% year-on-year. The Group ranked No.3 for market share, in terms of sales volume, in France from January to June 2016 (Source: GfK).

- LCD TV sales volume of the Strategic ODM business was down by 1.8% when compared with that in the same period of last year.

With the launching of the China-Europe Block Train, transportation lead time between the PRC and Poland has been reduced from 38 days to 23 days, greatly improving logistic efficiency of the Group, reducing costs and accelerating market response, as well as enhancing the Group's competitiveness and market share in Europe.

Internet Business

Adhering to the development strategy of "double +" strategic transformation, the Group has actively established the TV+ service ecosystem, and built its ecosystem for living room economy that focuses on family users, committing to enhancing the operational efficiency of the TV+ and establishing mechanisms for the realisation of user value.

As of June 2016, the accumulated number of TCL activated smart TV users totalled 14,557,671, the daily average number of active users in June 2016 was 6,244,653 (Source: Huan).

- Video-on-demand business totalled 13.86 million users, increasing by 21.8% when compared with the first quarter of 2016.

- GoLive business totalled 4.60 million users, increasing by 22.4% when compared with the first quarter of 2016.

- Gaming business totalled 7.07 million users, increasing by 21.9% when compared with the first quarter of 2016.

- Education business totalled 3.09 million users, increasing by 34.3% when compared with the first quarter of 2016.

- Lifestyle business totalled 2.10 million users, increasing by 50.0% when compared with the first quarter of 2016.

- Applications business totalled 10.79 million users, increasing by 12.6% when compared with the first quarter of 2016.

In the first half of 2016, the number of users from the Group's internet businesses maintained steady growth and achieved a revenue of approximately RMB28.75 million. The Group's total revenue from internet services for the year of 2016 is targeted to be approximately RMB100.00 million.

R&D

During the reporting period, the Group strived to enhance its product mix and enrich its high-end product line. At the spring product launch presentation held on 7 April 2016, the Group introduced various new products, including high-end flagship products QUHD quantum dot X1 series TV. X1 was equipped with a built-in image processing engine, integrated multi-dimensional image enhancement technology and Wyatt colour quantum dot display material, it not only far surpasses the display technology of traditional LED, but also performs even better in key areas such as colour display than OLED, thereby setting new standards for picture quality of next-generation TVs.

Additionally, the Group has achieved a breakthrough in the research of the local dimming technology in thin products, which will be applied in its X1 series TV for the first time. The product has obtained Dolby Vision High Dynamic Range picture quality certification and Harman Kardon sound quality certification, reaching the industry's top level in picture and sound qualities, fully reflecting the Group's strong capabilities in scientific and technological innovations.

Furthermore, TCL L55 C2-CUDG product was awarded Germany's Red Dot Design Award 2016, representing high level recognition of the Group's innovative design by the industry. This award was established by the famous German design institution, The Design Zentrum Nordrhein Westfalen. With more than 50 years of history in Germany, it is recognised as the most prestigious award as well as the highest honour in the design community.

Outlook

Faced with the challenges of global economy's slow recovery and the PRC's stagnant economic growth, along with the opportunities brought by the nation's "Belt and Road" initiative, the Group will continue to strengthen the establishment of its core competencies and promote strategic transformations of its twin drivers of "double +" and internationalisation. Moreover, the Group will further enhance its four core competitiveness to increase operational efficiency, optimise product mix to further enhance its TV market share, thus improving profitability and achieving sustainable growth.

1. The Group will enhance its four core competitiveness including product technology capabilities, industry capabilities, brand and globalisation capabilities and internet application service capabilities, so as to optimise product mix, enhance the influence of TCL brand and create greater value for users.

2. The Group will continue to implement the "double +" strategic transformation, establish an ecosystem for living room economy that focuses on TV+ smart TV platform and a competitive O2O business model, to further promote the integration of its online and offline operations. The Group will also deepen its strategic partnership with content providers to realise synergies and grasp the potential growth brought by the rapidly developing "Internet +" economy.

3. The Group will continue to pursue internationalisation, and actively implement the TV+ strategy in the Overseas Markets; optimise its product mix and expand diversified sales channels. It will also further consolidate and increase market share in the European and American markets, while forging competitiveness of the whole value chain by penetrating into key markets such as India, Brazil, etc. and rooting in the local markets, in order to enhance its layout in the Overseas Markets.

The Group is committed to achieving its LCD TV sales volume target of 20.00 million sets for the year of 2016. The Group will take full advantage of the resources and market position of TCL Corporation to continuously optimise its product mix. In addition to strengthening its competitiveness in the PRC Market, it will also actively explore opportunities for internationalisation and establish the Group as a "global entertainment technology enterprise", delivering long-term corporate value and returns to shareholders.

FINANCIAL REVIEW

Significant Investments, Acquisitions and Disposals

On 4 March 2016, the Company and Barn Holding Pte. Limited, an independent third party, entered into a share purchase agreement pursuant to which the Company agreed to dispose 80% of its 100% equity interest in Million China International Holdings Limited ("Million China") to Barn Holding Pte. Limited for a consideration of approximately RMB45,253,000 (equivalent to approximately HK$53,434,000), subject to certain consideration adjustments. Million China is an investment holding company and its subsidiary, Lekun Warehousing (Wuxi) Co., Ltd., is engaged in property holding. The disposal was completed on 30 May 2016. Gain on disposal of subsidiaries amounted to approximately HK$815,000 was recorded in profit or loss during the period.

Save as disclosed above, the Group had no other significant investment, acquisition and disposal during the 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 2016 amounted to approximately HK$2,680,839,000, of which 2.0% was maintained in Hong Kong dollars, 48.3% in US dollars, 43.8% in Renminbi, 3.0% in Euro and 2.9% 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 2015. The net carrying amounts of the Group's fixed assets held under finance leases included in the total amounts of furniture, fixtures and equipment and motor vehicles as at 30 June 2016 amounted to approximately HK$4,443,000 (31 December 2015: HK$5,057,000) and HK$2,683,000 (31 December 2015: HK$3,053,000), respectively.

As at 30 June 2016, the Group's gearing ratio was 0% since the Group's total pledged deposits and cash and bank balances of approximately HK$2,680,839,000 were higher than the total interest-bearing borrowings of approximately HK$1,630,043,000. The maturity profile of the borrowings ranged from one to two years.

Pledge of Assets

As at 30 June 2016, no asset of the Group was pledged (31 December 2015: pledged deposits of the Group amounting to approximately HK$80,881,000 were pledged for bills payable amounting to approximately HK$75,986,000).

Capital Commitments and Contingent Liabilities

As at 30 June 2016, the Group had capital commitments of approximately HK$19,751,000 (31 December 2015: HK$20,858,000) and HK$266,471,000 (31 December 2015: HK$285,522,000) 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 2015 annual report.

Pending Litigation

The Group was not involved in any material litigation as at 30 June 2016.

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 2016, the Group had a total of 23,941 dynamic and talented employees. They were all dedicated to advancing the quality and reliability of our operations. Remuneration policy was reviewed regularly, making reference to current legislation, market condition and both the performance of individual and the Group. In order to align the interests of staff with those of shareholders, share options were granted to relevant grantees including employees under the Company's share option scheme. Options for subscribing a total of 181,015,696 shares remained outstanding at the end of the reporting period.

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

PURCHASES, SALE OR REDEMPTION OF SHARES

There was no purchase, sale or redemption of shares for the six months ended 30 June 2016.

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 2016, 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 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 2015 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, Mr. HUANG Xubin, Mr. Winston Shao-min CHENG and Mr. Abulikemu ABULIMITI, 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 annual general meeting of the Company held on 18 May 2016. However, Mr. Albert Thomas DA ROSA, Junior, being a non-executive director of the Company; and Dr. TSENG Shieng-chang Carter and Professor SO Wai Man Raymond, being independent non-executive directors of the Company, were present at the annual general meeting to ensure an effective communication with the shareholders thereat.

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

The Company has no formal letters of appointment for its directors (except for Mr. YAN Xiaolin, Ms. XU Fang, Mr. Winston Shao-min CHENG, Mr. Abulikemu ABULIMITI, Professor SO Wai Man Raymond and Professor WANG Yijiang) 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.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's unaudited interim condensed consolidated financial statements for the six months ended 30 June 2016, including the accounting principles adopted by the Group, with the Company's management. The Audit Committee comprises four members including Professor SO Wai Man Raymond (Chairman), Dr. TSENG Shieng-chang Carter and Professor WANG Yijiang, all being independent non-executive directors of the Company, and Mr. HUANG Xubin, a non-executive director of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

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

On behalf of the Board
LI Dongsheng
Chairman

Hong Kong, 12 August 2016

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