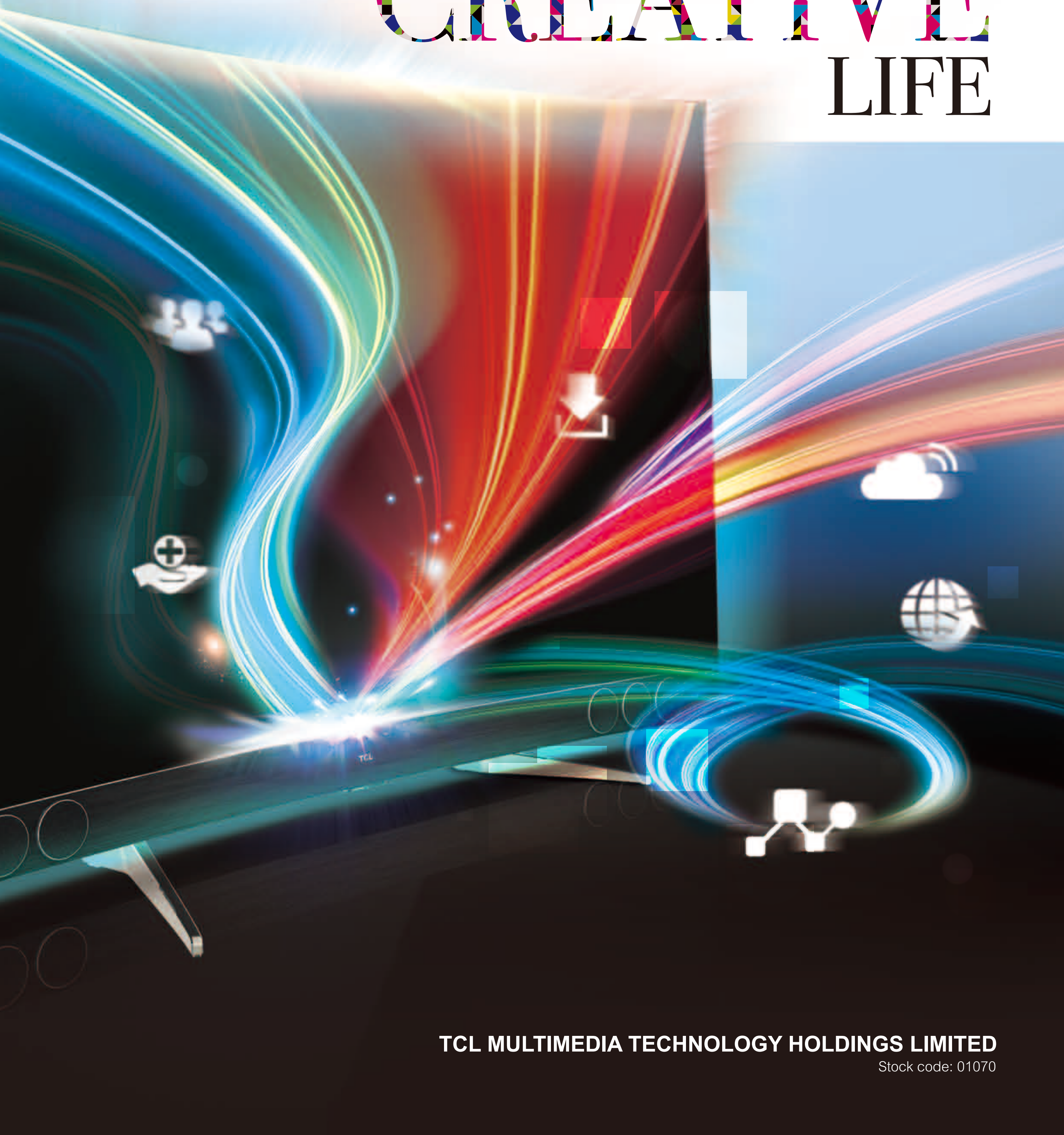
TCL 创意感动生活
The Creative Life

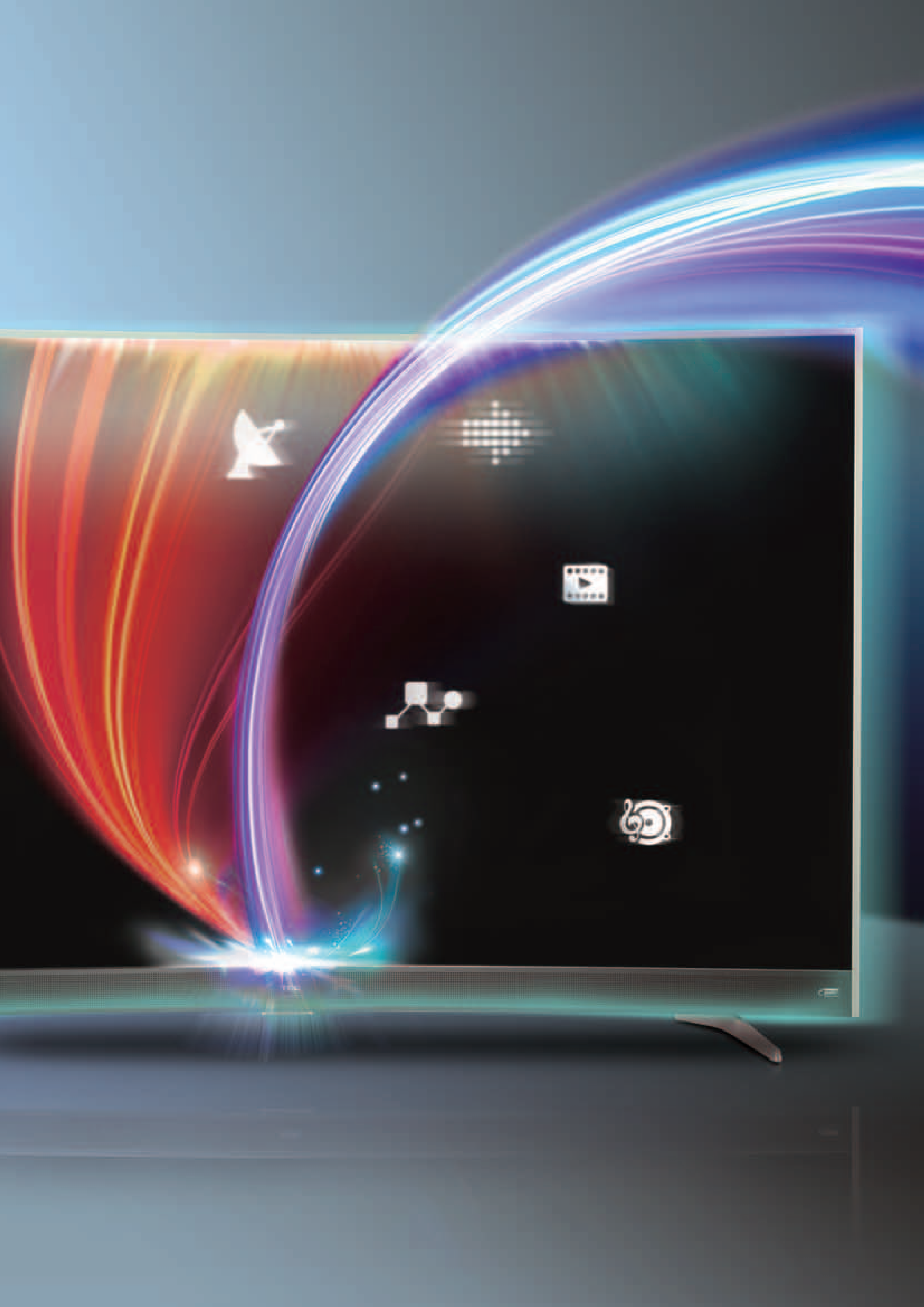
ANNUAL REPORT 2016

THE CREATIVE LIFE



TCL MULTIMEDIA TECHNOLOGY HOLDINGS LIMITED

Stock code: 01070



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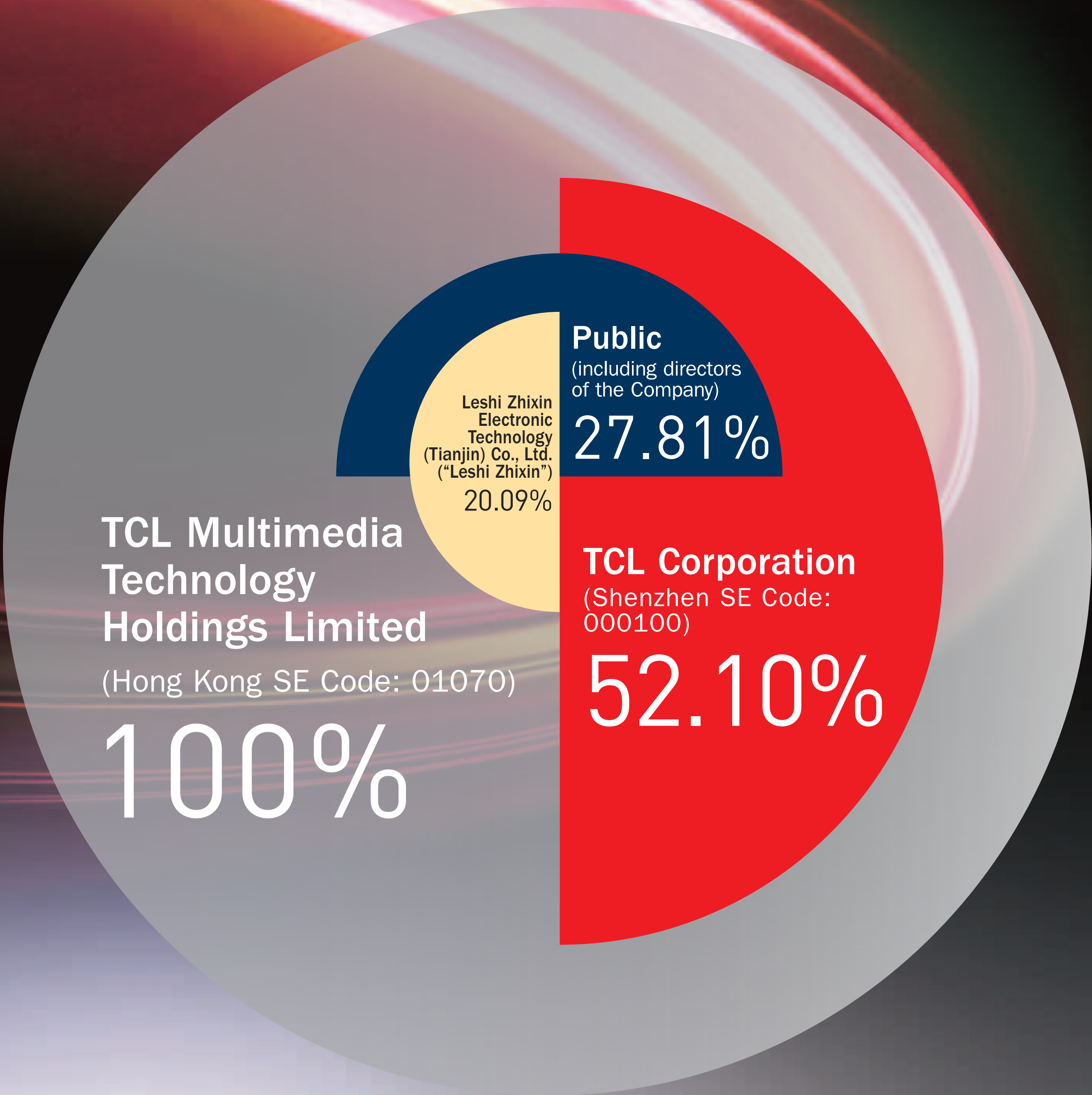
Corporate Profile

TCL Multimedia Technology Holdings Limited (the "Company", together with its subsidiaries, collectively the "Group") is one of the leading players in the global TV industry. Headquartered in China, it is engaged in the research and development, manufacturing and distribution of consumer electronic products, and its products are sold all over the world. Through a new product-and-user-oriented business model that focuses primarily on a "double +" strategy which includes "intelligence + internet" and "products + services" as the main direction, it strives to build a comprehensive ecosystem for smart TVs that provides users with an exquisite experience with its smart products and services. The ultimate holding company of the Company is TCL Corporation.

Corporate Structure



Year in Review 2016

JANUARY

- Professor WANG Yijiang has been appointed as an independent non-executive director of the Company, a member of the audit committee (the "Audit Committee") , the remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee") of the Company, and the chairman of the Nomination Committee;

- Professor SO Wai Man Raymond has been appointed as the chairman of the Audit Committee, and has resigned as the chairman of the Nomination Committee but shall remain as a member thereof.

- Mr. TANG Guliang has resigned as an independent non-executive director of the Company. Accordingly, he has also ceased to be a member of the Audit Committee, the Remuneration Committee and the Nomination Committee, and the chairman of the Audit Committee.

MARCH

The Group and LeTV jointly organized the "Strategic Cooperation Milestones Press Conference" in Beijing. At the press conference, the two parties announced the strategic cooperation with respect to GoLive, Internet ecosystem resources sharing and joint advertising operations.

APRIL

The Group held TCL 2016 Spring New Product Presentation in Shenzhen, in which debuted its QUHD TV – Quantum Dot TVs consisting of two distinctive product series, namely the X and the C series. The new flagship product X1 series garnered the CES 2016 Innovation Award and was highly commended as the most eye-catching TV model at the International Consumer Electronics Show ("CES") in Las Vegas, the United States.

Year in Review 2016

MAY

- Mr. Winston Shao-min CHENG and Mr. Abulikemu ABULIMITI have been appointed as non-executive directors of the Company.
- The completion of the subscription of shares of the Company under a subscription agreement dated 11 December 2015 between the Company and Leshi Zhixin took place on 11 May 2016, pursuant to which an aggregate of 348,850,000 Shares were allotted and issued to Letv ZhiXin Investment (HK) Limited (a wholly-owned subsidiary of Leshi Zhixin) at the subscription price of HK$6.50 per share, representing approximately 20.10% of the issued share capital of the Company as enlarged by the allotment and issue of the subscription shares.
- Entered into the sourcing framework agreement (2016) and the key component sourcing contract (2016) with Leshi Zhixin.
- Signed an MOU with its strategic partner ELARABY Group, the largest home appliance enterprise in Egypt. A joint-venture TV manufacturing plant was set up in Egypt to tap into the broad prospect of the Middle East and African markets.

JUNE

The Company granted share options to the grantees entitled under the Company's share option scheme to subscribe for a maximum of a total of 15,107,220 Shares, with an exercise price of HK$4.50 per share, and 1,695,429 restricted shares to the grantees under a restricted share award scheme (the "Award Scheme").

JULY

Signed an MOU with a leading Brazilian home appliance enterprise SEMP to invest in the establishment of a joint venture, SEMP TCL in Brazil which serves as the basis to facilitate full penetration into mid-to-high end home appliance markets in South America.

AUGUST

Ms. PANG Siu Yin resigned as the company secretary and an authorised representative of the Company and Ms. CHOY Fung Yee was appointed as the company secretary and an authorised representative of the Company.

SEPTEMBER

- The Group hosted the TCL 2016 Autumn New Product Presentation in Guangzhou and proudly introduced its high-end sub-brand XESS. At the same time, it also presented its high-end TV X1 and X2 series and other products. The new sub-brand XESS was unveiled by China's most respected national volleyball team head coach Ms. LANG Ping who has been appointed as ambassador of the XESS brand.

- Announced further strategic cooperation with Leshi, of which TCL smart TVs are equipped with the EUI operating system developed by Leshi, covering ecological areas such as content, membership and advertisement, and striving to develop China's largest smart TV advertising platform. As a highlight of the cooperation, the exclusive live broadcast rights of the World Cup Qualification Matches involving China's national team, which are owned by Leshi, were shown on TCL's various TV models.

NOVEMBER

Entered into several factoring contracts with Chongqing Leshi Commercial Factory Company Limited ("Chongqing Leshi"), Chongqing Leshi provided factoring services to a subsidiary of the Group subject to the conditions and the terms of the contracts, aiming to secure the early repayment and minimize credit risk exposed to the Group and improve the financial position and provide flexibility in cash flow management of the Group.

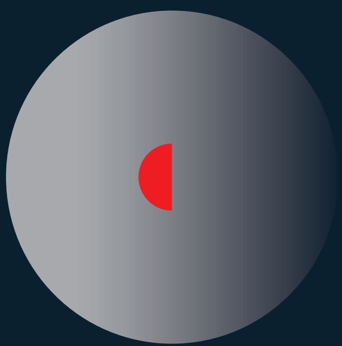
DECEMBER

- TCL Corporation and the Company are included in the eligible shares list of the Northbound Shenzhen Trading Link and the Southbound Hong Kong Trading Link under mutual stock market access between Shenzhen and Hong Kong ("Shenzhen-Hong Kong Stock Connect"), respectively.
- The Company announced that the board lot size of the Shares for trading on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") would be changed from 2,000 Shares to 1,000 Shares with effect from 19 January 2017.

Financial Highlight

Financial Performance		
(HK$ Million)	2016	2015
Turnover	33,361	34,017
Gross profit	5,816	5,753
Gross profit margin (%)	17.4	16.9
Profit attributable to owners of the parent	183	26
Basic EPS (HK cents)	11.78	1.94

TURNOVER BREAKDOWN BY PRODUCTS



Television 99%

Others 1%

TV TURNOVER BREAKDOWN BY REGIONAL BUSINESS CENTRES

PRC Market 58%

Overseas Markets 42%

Financial Highlight

Financial Position

(HK$ Million)	2016	2015
Property, plant and equipment	1,819	2,063
Cash and bank balances	3,882	2,215
Total assets	20,309	18,178
Total liabilities	13,753	13,769
Interest-bearing borrowings	1,356	2,605
Net assets	6,556	4,409

Operation Indicators

	2016	2015
Return on equity (%)	3	1
Inventory turnover (days)	45	52
Trade receivables turnover (days)	60	54
Trade payables turnover (days)	79	65
Current ratio	1.3	1.2
Gearing ratio (%)	0	7.2

Note: The above turnover days are calculated on average balance of the year.

Chairman's Statement

LI Dongsheng
Chairman


Our focus will be on maintaining growth,
improving efficiency, reducing costs
and enhancing effectiveness

DEAR SHAREHOLDERS,

On behalf of the Company, I hereby present to you the annual results for the year ended 31 December 2016.

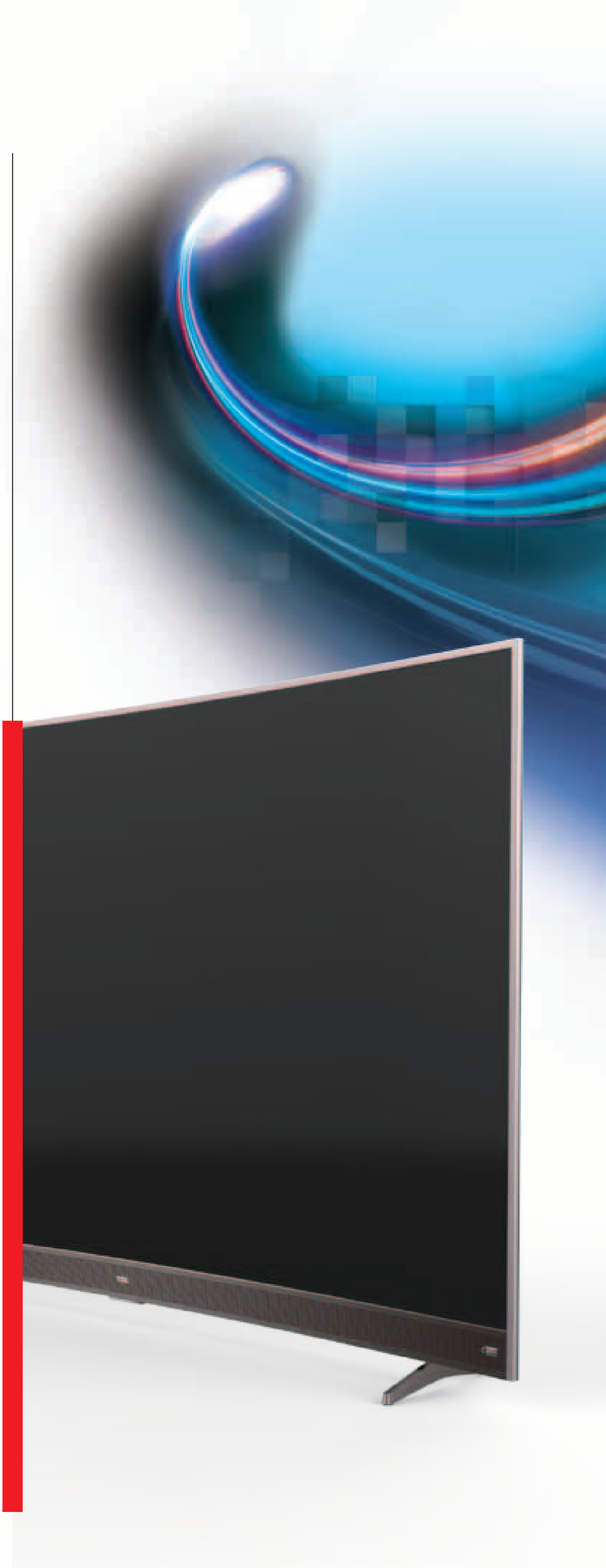
In 2016, the global macroeconomic environment remained difficult. The Group has also faced many challenges. The selling prices of products have not increased in response to the continued rise of costs in the manufacturing industry, which has continued to put pressure on enterprises' profitability. In the face of the increasingly fierce market competition, we actively enhance the sales proportion of the high-end products, improve operational efficiency and strengthen cost control. Over the past year, the overall sales recorded continuous growth and the product mix was further optimized. Various measures for reducing costs have also yielded results, which contributed to improved results.

The Group achieved a turnover of HK$33.36 billion, dropped by 1.9% year-on-year, LCD TV sales volume amounted to 19.96 million sets, an increase of 15.1% year-on-year. Gross profit grew by 1.1% year-on-year to HK$5.82 billion, gross profit margin improved from 16.9% of the same period of last year to 17.4%. Operating profit was HK$300 million. Profit attributable to owners of the parent amounted to HK$180 million. Basic earnings per share was HK11.8 cents.

The Group ranked No.3 in the global LCD TV market with a market share of 9.0% in 2016 according to the latest IHS Technology and the Company shipment data, and ranked No.3 in the PRC LCD TV market with a market share of 14.2% in 2016 according to CMM's report.

Forging Core Capabilities to Elevate Overall Competitive Edges

We continue to strive for excellence and innovation to lead the market. Maintaining the existing market position has been especially difficult under the pressures from international and domestic markets due to the slowdown of the global economy and the Chinese economy entering into a new normal stage. Under such conditions, the ability to stay competitive in the face of fierce competition is the key for success. It is only by strengthening the core competencies, carrying out business transformation and upgrading and adhering to the international development path that an enterprise is able to better respond to the ever-changing market demands and to obtain competitive advantages in the first place.



In the Internet era, manufacturing enterprises are competing with each other in the competitive realms of research, production, sales and other aspects of the value chain. Therefore, we adhered to forging four core competitiveness objectives including product technology capabilities, industry capabilities, brand and globalisation capabilities and internet application service capabilities. With continuous investment and accumulation of technologies and craftsmanship, we continued to strengthen our industrial and innovation capabilities so as to significantly increase the overall competitiveness.

TCL has achieved breakthroughs in various technologies. In addition to the German iF Product Design Award, the quantum dot TV has obtained the influential "Global Display Technology Innovation Award of the Year" by Consumer Electronics Show ("CES"). TCL has also been selected as one of the "Top 10 Chinese Consumer Electronics Brands" and "Global Top 50 Consumer Electronics Brands", demonstrating the new power of technological innovation to global consumers.

Entrenching Development in Overseas Markets to Accelerate Internationalisation

We firmly adhered to the development direction of internationalisation and achieved a solid and sustained expansion in the developed markets such as the European and the American markets. At present, with the Group's strategy for internationalisation development entering into a new phase, we has re-designed the internationalisation development roadmap. While strengthening the market position in the European and American markets, we are vigorously expanding the emerging markets. Our core strategy is to export the advanced manufacturing technologies and industrial capabilities and to firmly establish overseas market development and deepen our internationalisation, of which the emerging markets including Brazil, India and Argentina are our key markets for development.

Over the past year, 42.1% of sales revenue contributed from overseas markets. In the mature and highly competitive consumption market in North America, TCL has been recognised by the mainstream media as the fastest growing TV brand for two consecutive years. At the same time, as one of the pioneering enterprises that initiated the internationalisation, we are also leveraging the "Belt and Road "initiative to accelerate the business development in the emerging markets, further enhancing the layout for internationalisation.

Seeking Breakthrough in Transformation to Lay Solid Foundation for Innovation Development

In the face of the rapid emergence of the Internet economy, the Group strives to create an ecosystem through the "double +" strategic transformation of "Intelligence + Internet" and "Product + Services, and enhanced its smart products and internet application services capabilities. This move provided consumers with an exquisite experience with its smart products and services, thus promoting the industrial upgrade and transformation, and building a solid foundation for the expansion into the global high-end market.

In 2016, the accumulated number of TCL activated smart TV users of the Group totalled 17.29 million, and the daily average number of active users was 7.47 million (Source: Huan Technology Co., Ltd. ("Huan")), which over-achieved the annual targets of 16.00 million and 6.70 million, respectively.

Business Outlook

In 2017, the overall economic environment at home and abroad remain challenging. This will lead to a more apparent trend that only the most competent players can survive. We can only progress faster to survive and strive for excellence in order to move to the forefront. In the coming year, our focus will be on maintaining growth, improving efficiency, reducing costs and enhancing effectiveness.

On the one hand, we will further adjust the industrial structure, optimise the resource allocation, and improve operating efficiency. Meanwhile, we will continue to optimise the organisation structure, enhance efficiency and strengthen organisational vitality. On the other hand, we will accelerate the improvement of our core competencies, enhance the craftsmanship spirit of striving for excellence and uniqueness, firmly boost product technological capabilities, supply chain and manufacturing capabilities, and brand and channel capabilities, of which the product technological capabilities, in particular, is the top priority of the Group's industrial upgrade.

Finally, on behalf of the Board, I would like to express our sincere gratitude to every shareholder, client, consumer and business partner for their prolonged support. Meanwhile, I would also like to thank all the directors, management and colleagues of the Group for their unwavering efforts and valuable contributions over the years.

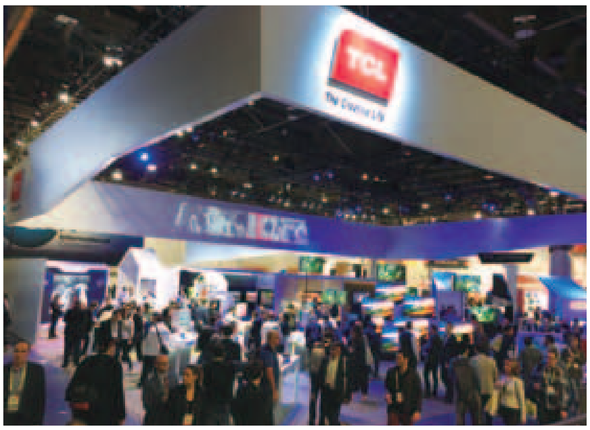
LI Dongsheng

Hong Kong, 21 March 2017


李东生


TCL
量子点电视
VS


UHD TV
TCL
TCL


TCL

BUSINESS REVIEW FOR THE YEAR ENDED 31 DECEMBER 2016

In 2016, market competition remained intense. Global LCD market shipments decreased by 1.3% while the shipping amount declined by 10.9% year-on-year. The PRC market has witnessed an increase in shipment against the backdrop of a decline in global TV shipments, which was mainly attributable to the increasing demand for high-end products in the PRC market. According to the report from CMM, overall sales volume of TVs in the PRC market increased by 7.4% year-on-year in 2016. However, due to the fluctuations in panel price and the downward trend of average market price, the overall market sales volume in the PRC market went up, but the shipping amount was down by 7.1% year-on-year. With the panel costs increased in 2016, the profitability of TV industry was impacted to a certain extent.

Encountering a challenging market environment and fierce competition, the Group continuously optimised its product mix to boost the proportion in sales volume of high-end products such as quantum dot, curved, 4K and large screen TVs, etc.. The Group also enhanced operational efficiency and strengthened cost control. Various measures for reducing costs have yielded results and caused the non-panel costs to decrease as well. In the overseas markets, the Group has made significant breakthroughs and improvements in sales volume and earnings. Besides, the foreign exchange gains and losses were under control due to the relatively stable exchange rate in 2016 when compared with 2015, resulting in an improvement in operating results.

In 2016, the Group achieved a turnover of HK$33.36 billion, dropped by 1.9% year-on-year. Gross profit increased by 1.1% year-on-year to HK$5.82 billion, and gross profit margin rose from 16.9% of the same period of last year to 17.4%. Operating profit was HK$300 million, and net profit after tax was HK$180 million. Profit attributable to owners of the parent amounted to HK$180 million. Basic earnings per share was HK11.8 cents.

In the fourth quarter, the Group's turnover was HK$9.69 billion, representing an increase of 1.2% year-on-year. Gross profit decreased by 12.7% when compared with the same period of last year to HK$1.77 billion and gross profit margin declined by 2.9 percentage points in the same period of last year to 18.2%. Operating profit amounted to HK$47.36 million, and net profit after tax was HK$39.79 million. Profit attributable to owners of the parent amounted to HK$35.88 million. Basic earnings per share was HK2.17 cents.

The Group ranked No. 3 in the global LCD TV market with a market share of 9.0% in 2016 according to the latest IHS Technology and the Company shipment data, and ranked No. 3 in the PRC LCD TV market with a market share of 14.2% in 2016 according to CMM's report.

On 5 December, 2016, the Company was included in the eligible shares list of the Southbound Hong Kong Trading Link under Shenzhen-Hong Kong Stock Connect ("Shenzhen-Hong Kong Stock Connect"). The Shenzhen-Hong Kong Stock Connect will offer alternative investing channels in both the PRC and Hong Kong stock markets, to enliven the two stock markets by boosting trade volume and increasing the valuations of Hong Kong stocks. The Group expects to attract more Chinese and overseas investors through the programme.

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

	2016 ('000 sets)	2015 ('000 sets)	**Change**
LCD TVs	**19,956**	17,343	15.1%
Total			
– PRC Market	**9,415**	9,244^	1.8%
– Overseas Markets	**10,541**	8,099^	30.2%
Of which: Smart TVs	**10,593**	6,265	69.1%
4K TVs	**3,977**	1,858	114.1%

^ Restated

	Accumulated total as of 31 December 2016	**December 2016**	December 2015	**Change**	**2016**	2015	**Change**
Number of TCL activated smart TV users(1)	**17,289,434**	**606,989**	483,653	25.5%	**5,364,578**	4,558,404	17.7%
Daily average number of active users(2)	**N/A**	**7,473,240**	4,800,723	55.7%	**N/A**	N/A	N/A

Notes:

(1) Number of TCL activated smart TV users refers to the number of users who use the internet TV web service for more than once.

(2) Daily average number of active users refers to the number of unrepeated individual users who visit within 7 days.

The PRC Market

According to the CMM's report, the sales volume in the PRC market for the year 2016 was 52.05 million sets, up by 7.4% year-on-year. Impacted by the fluctuations in prices of raw materials and average market selling price, turnover was conversely down by 7.1% year-on-year to RMB152.4 billion. Although there was an upward adjustment later, earnings were still affected due to the increase in panel prices.

In 2016, the Group's LCD TV sales volume increased by 1.8% year-on-year to 9.41 million sets. Affected by prices of major raw materials, average market selling price and 6.1% year-on-year depreciation in the average exchange rate of Renminbi against Hong Kong dollars in 2016, the average selling price of LCD TVs decreased by 13.8% year-on-year while turnover decreased by 12.2% year-on-year to HK$19.17 billion, imposing pressure on earnings.

Despite this, the Group has proactively optimised its product mix and further strengthened cost control, which resulted in a significant improvement in non-panel cost reduction and a year-on-year increase in gross profit margin of LCD TVs from 20.6% to 20.9%.

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

- Smart TV sales volume increased by 10.1% year-on-year to 5.15 million sets, which accounted for 66.1% of the LCD TV sales volume, rising from 53.7% in the same period of last year.

- 4K TV sales volume increased by 63.3% year-on-year to 2.83 million sets, which accounted for 36.3% of the LCD TV sales volume, rising from 19.9% in the same period of last year.

- Market share of curved TVs was 30.4% in 2016, maintaining No.1 position among the domestic brands in the market (Source: CMM). The proportion of accumulated curved TV sales volume to the Group's LCD TV sales volume in the PRC market rose from 2.5% in the same period of last year to 10.9%.

- Proportion of the sales volume of products with screen size of 55 inches and above increased from 16.6% of LCD TV sales volume in 2015 to 29.0% in 2016.

- The average size of TVs sold increased from 41.5 inches in the same period of last year to 44.3 inches.

According to CMM's report, TCL's LCD TV brand price index increased from 87 in 2015 to 93, ranking No. 3.

The Group continued to promote the integration of online and offline channels, diversify its sales channels and enhance cooperation with the existing channels. Proportion of sales volume from electronic business sales channels increased from 16.1% in 2015 to 20.0% in 2016.

Overseas Markets

Along with the Group's continued efforts in expanding the sales channels, accelerating its product mix transition towards high-end products such as large screen, smart, 4K and curved TVs etc., the product mix was further improved and the TCL brand image was enhanced, contributing to a significant improvement in operating results in the overseas markets.

Product mix (excluding ODM business) was enhanced through the CBUS (curved, large screen, 4K, smart TVs) strategy:

- The proportion of curved TV sales volume increased from 0.2% in 2015 to 1.9% in 2016
- The proportion of TV with screen size of 55 inches and above sales volume increased from 8.2% in 2015 to 14.8% in 2016
- The proportion of 4K TV sales volume increased from 2.6% in 2015 to 14.8% in 2016
- The proportion of smart TV sales volume increased from 33.8% in 2015 to 58.2% in 2016

Contributed by the continued sales growth in the North American market and the emerging markets, the Group's LCD TV sales volume in 2016 increased by 30.2% year-on-year to 10.54 million sets, turnover was up by 16.2% year-on-year to HK$13.92 billion and gross profit margin rose to 12.5% from 10.0% in the same period of last year.

Besides, the associate company established by TCL and Brazilian SEMP enables both parties to share channels and resources, enhance capacities in sales, brand promotion as well as supply chain efficiency.

Performance in the overseas markets in 2016:

- In the North American market, LCD TV sales volume surged by 71.8% year-on-year, with its ranking of market share, in terms of sales volume, climbing from No.9 in the same period of last year to No.6 in 2016 (Source: NPD).

- LCD TV sales volume in the emerging markets rose by 44.3% year-on-year, of which market shares, in terms of sales volume for the year 2016 in Thailand, remained No.3. Ranking in Vietnam has increased from No.5 in the same period of last year to No.4 in 2016, while ranking in Australia was No.6 (Source: GfK).

- Due to fluctuations in exchange rates and increased panel prices, LCD TV sales volume in the European market slightly dropped by 0.9% year-on-year. In terms of sales volume, the Group ranked No.3 in France in 2016, rising from No.4 in the same period of last year (Source: GfK).

- LCD TV sales volume of the strategic ODM business was up by 21.3% when compared with the same period of last year.

The Group continued to optimise its product mix to strengthen competitiveness, actively developed new markets, expanded sales channels as well as taking advantages of different channels to increase sales.

Internet Business

Adhering to the development strategy of "double +" strategic transformation, the Group has actively built TCL TV+ service ecosystem, and established strengthened cooperation with internet service providers for mutual collaboration.

As of December 2016, the accumulated number of TCL activated smart TV users totalled 17,289,434, the daily average number of active users in December 2016 was 7,473,240 (Source: Huan).

- Video-on-demand business totalled 17.40 million users, increasing by 12.4% when compared with the first three quarters of 2016;

- Lifestyle business totalled 4.89 million users, increasing by 51.8% when compared with the first three quarters of 2016;

- Applications business totalled 15.40 million users, increasing by 32.0% when compared with the first three quarters of 2016.

- Spending time of users reached 4.7 hours, representing an enhancement in user loyalty.

The Group's internet business recorded an increase of 69.3% year-on-year in the turnover to approximately RMB72.29 million in 2016.

R&D

The Group has achieved breakthroughs in various technologies, such as local dimming backlight technology in thin products, the quantum dot technology in rimless TV, etc. These technologies were firstly applied in the high-end sub-brand XESS series TVs, significantly improving the TV display quality and boosting the core competitiveness of TCL brand.

Applying state-of-the-art technologies, the XESS X1 series are equipped with the best ever light-emitting material – Yue Cai quantum dot display material, to achieve a 110% of the industry's highest colour gamut, pure colour performance and precise colour expression. The X1 adopts the most advanced local dimming backlight technology, Dolby Vision High Dynamic Range technology and the superior Harman Kardon stereo. In addition, X1 has built-in smart home control centers with three core scene-oriented content platforms, namely Magic Theater, Home Mode and Smart Mode, as well as a brand new TCL TV + OS 3.0 system. Products are also installed with Tencent video applications, offering a rich variety of contents covering entertainment programmes, sports, movies, etc.

Additionally, the Group's high-end 4K Android TV X1 was debuted and well recognized in the European market during the year. The Group will also utilise the Android Google Play applications to enrich the product contents, in order to provide diversified services and more convenient experience.

For nine consecutive years, TCL has been selected as the "Global Top 50 Consumer Electronics Brands" and "Top 10 Chinese Consumer Electronics Brands" hosted by the International Data Group ("IDG"), the United States of America. Its quantum dot TV has also been awarded "Consumer Electronics Show ("CES") Global Display Technology Innovation Award of the Year", which again showed that TCL has been well-recognized by the industry.

Furthermore, the Group has won three awards for its three products respectively at the German iF Product Design Award 2017, namely TCL high-end sub-brand XESS TV series flagship X1, the quantum dot curved 4K TV and the latest TCL TV remote controls series RC800, demonstrating the world's leading design concepts and technological innovation.

Outlook

Looking into 2017, it is expected that the PRC and global economy will continue to face downward pressure, leading to sluggish market demand. On the other hand, factors like the fluctuations in panel prices and intensified competition brought by the Internet brands, etc., are expected to bring more challenges to the TV industry.

In view of this, the Group will set "efficiency is basis, structure is core, profit is goal" as its overall operation strategy for 2017 and continue to strengthen the establishment of core competencies of the enterprise and forge core competitiveness. It will continue to promote strategic transformation of twin drivers of "double +" and internationalisation. Meanwhile, the Group will also strive to improve operational efficiency and further implement stringent cost control measures, thus strengthening the core brand competitiveness, improving profitability and achieving sustainable development.

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

1. The Group will continue to implement the "double +" strategic transformation. It will establish a customer-centric ecosystem based on platform operation to develop new business models; optimise software and hardware experiences, integrate product and operation platforms to optimise user experience, enhance platform capability and expand the scale of operations; and actively implement the TV+ business strategy in the overseas markets.

2. The Group will continue to pursue internationalisation. It will focus on branding by strengthening brand investment and enhancing brand image; enhance efficiency and structural transformation to establish operating models with healthy and steady growth; and strengthen and enhance existing businesses while focusing on breakthroughs in the key markets.

3. The Group will enhance core competitiveness and operation efficiency. It will continue to innovate and enhance R&D capability to maintain product competitiveness; implement intelligent manufacturing and strengthen industrial manufacturing capability; and optimise business and workflow to enhance operational efficiency and decrease system costs.

The Group has nearly finished its LCD TV sales volume target of 20.00 million sets for the year of 2016. The LCD TV sales volume target for the year of 2017 is set as 22.00 million sets. The Group will take full advantage of the resources of TCL Corporation to deepen cooperation with different parties along the integrated supply chain and to gradually establish and anchor its multi-faceted internet-based capabilities. The Group will also actively build a comprehensive ecosystem for smart TVs to provide users with an exquisite experience with smart products and services, thereby delivering greater enterprise 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 RMB45,227,000 (equivalent to approximately HK$53,458,000). 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$839,000 was recorded in profit or loss during the year.

On 24 June 2016, TCL Overseas Consumer Electronics Limited ("OCE", a wholly-owned subsidiary of the Company) entered into a joint venture and shareholders' agreement with Semp Amazonas S.A., an independent third party, to invest in a Brazilian company, Semp TCL Industria E Comercio De Eletroeletronicos S.A. ("SSA"). Pursuant to the joint venture and shareholders' agreement, OCE agreed to contribute BRL80,000,000 (equivalent to approximately HK$190,264,000) to SSA, representing 40% of the enlarged share capital of SSA. The initial and second capital injections of BRL32,000,000 (equivalent to approximately HK$79,112,000) and BRL24,000,000 (equivalent to approximately HK$56,179,000) respectively were completed on 1 August 2016 and 10 October 2016 respectively.

On 29 December 2016, Nanchang Huihaitong Network and Technology Co. Ltd. ("Huihaitong", a non-wholly owned subsidiary of the Company) has entered into a shareholders' agreement ("Jiangxi Shareholders' Agreement") with Jiangxi Province Broadcasting and Television Network Communication Co. Ltd. ("Jiangxi Broadcasting", an independent third party). Pursuant to the Jiangxi Shareholders' Agreement, Huihaitong and Jiangxi Broadcasting would jointly establish Jiangxi Broadcasting and Television Network Electronic Business Co. Ltd. (the "Jiangxi Joint Venture") and the registered capital of the Jiangxi Joint Venture would be RMB30,000,000 (equivalent to approximately HK$33,542,000), in which RMB15,300,000 (equivalent to approximately HK$17,106,000), i.e. 51% of the total registered capital, would be contributed by Jiangxi Broadcasting and RMB14,700,000 (equivalent to approximately HK$16,436,000), i.e. 49% of the total registered capital, would be contributed by Huihaitong.

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

Liquidity and Financial Resources

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

The cash and bank balance of the Group as at 31 December 2016 amounted to approximately HK$3,882,361,000, of which 0.4% was maintained in Hong Kong dollars, 39.1% in US dollars, 56.1% in Renminbi, 2.4% in Euros and 2.0% 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 31 December 2016 amounted to approximately HK$3,755,000 (31 December 2015: HK$5,057,000) and HK$2,267,000 (31 December 2015: HK$3,053,000), respectively.

As at 31 December 2016, the Group's gearing ratio was 0% since the Group's cash and bank balances of approximately HK$3,882,361,000 were higher than the total interest-bearing borrowings of approximately HK$1,355,643,000. The maturity profile of the borrowings ranged from one to two years.

Pledge of Assets

As at 31 December 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

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

	2016	2015
	HK$'000	HK$'000
Contracted, but not provided for	**75,690**	20,858
Authorised, but not contracted for	**253,075**	285,522
	328,765	306,380

As at 31 December 2016, the Group did not have any material contingent liability not provided for in the consolidated financial statements.

Pending Litigation

The Group was not involved in any material litigation as at 31 December 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 31 December 2016, the Group had a total of 23,616 dynamic and talented employees. They were all dedicated to advancing the quality and reliability of our operations. Remuneration policy was reviewed regularly, making reference to current legislation, market condition and both the performance of individual and the Group. In order to align the interests of staff with those of shareholders, share options were granted to relevant grantees, including employees of the Group, under the Company's share option scheme. Share options for subscribing a total of 171,049,918 shares remained outstanding at the end of the reporting period.

Award Scheme was also adopted by the Company on 6 February 2008 and was amended on 11 August 2015. Pursuant to the rules of the Award Scheme, existing shares would be purchased from the market or new shares would be subscribed for by a designated trustee, BOCI-Prudential Trustee Limited, out of cash contributed by the Company, and would be held on trust for the relevant grantees, including employees of the Group, until such shares are vested with the relevant grantees in accordance with the provisions of the Award Scheme.

Directors and Senior Management

EXECUTIVE DIRECTORS

MR. LI DONGSHENG

Aged 59, is the founder, the Chairman and an Executive Director of the Company. Mr. LI is currently the Chairman, Chief Executive Officer ("CEO") and founder of TCL Corporation. He is also the Chairman and an Executive Director of TCL Communication Technology Holdings Limited ("TCL Communication"); as well as an Independent Non-executive Director of Tencent Holdings Limited (stock code: 700), and a Non-executive Director of Fantasia Holdings Group Co., Limited (stock code: 1777), both of which are companies listed on the Hong Kong Stock Exchange; and an Independent Director of Legrand, which is a company listed on NYSE Euronext.

In 1982, Mr. LI graduated from South China University of Technology. He was awarded the "National Model Worker" and the "May 1st Labor Medal". He was elected as a delegate to China's 16th Party Congress, and served as a representative of the 10th, 11th and 12th National People's Congress.

Mr. LI holds a number of prestigious positions as Chairman of China Video Industry Association, Vice Chairman of China Chamber of International Commerce, Chairman of Guangdong Chamber of Home Appliances, Vice Chairman of Guangdong Federation of Industry & Commerce, Chairman of Shenzhen Flat Panel Display Industry Association and Executive Committee member of All-China Federation of Industry & Commerce. He was awarded "China's Economic Person of the Year" in 2002 and 2004 respectively. Mr. LI was named "2004 Asia Businessman of the Year" by *Fortune* magazine and "2004 Top 25 Global Business Leaders" by *Time* magazine and CNN. He received OFFICIER DE LA LEGION D'HONNEUR (French national honor) in the same year. In 2009, he was named "China's Economic Person of the Year – Business Leaders of the Decade" by CCTV. In 2013, Mr. LI was selected as one of the "Best CEOs of Listed Companies in China" by *Forbes* magazine.

MR. LI DONGSHENG

EXECUTIVE DIRECTORS

MR. BO LIANMING

MR. BO LIANMING

Aged 53, is an Executive Director, CEO, the Chairman of the Strategy Executive Committee and a member of Management Team of the Company. Mr. BO is also an Executive Director, a member of the Executive Committee and President of TCL Corporation, and a Director of Shenzhen China Star Optoelectronics Technology Co., Ltd ("CSOT"). Mr. BO held a number of management positions in TCL Corporation, including the Chairman of CSOT, Vice President and Financial Director of IT Industrial Group, Vice President of Components Strategic Business Unit, Executive Vice President of TTE Corporation, as well as Human Resources Director, Vice President and Senior Vice President of TCL Corporation. Mr. BO has over 15 years of experience in the household electronics products industry. Before joining TCL Corporation in 2000, he was the Chief Accountant of Shenzhen Airlines Co., Ltd.. Mr. BO holds a Doctorate Degree in Business Administration from Xi'an Jiaotong University.

EXECUTIVE DIRECTORS

DR. YAN XIAOLIN

DR. YAN XIAOLIN

Aged 50, an Executive Director and a member of the Strategy Executive Committee of the Company. Dr. YAN is currently the Chief Technology Officer ("CTO"), a member of Executive Committee and Senior Vice President of TCL Corporation, the President of TCL Corporate Research of TCL Corporation, the Director of CSOT, the Chairman of Guangdong Juhua Printing Display Technology Co., Ltd., the Chairman of Guangdong Hua Rui Optronic Material Co., Ltd., Vice Chairman of Chen Jing Semiconductor (Shanghai) Co. Ltd. and the Director of US Kateeva Corporation. Dr. YAN joined TCL Corporation in May 2001. From May 2001 to December 2004, he served as the Project Manager, Director of Research Institute and Deputy General Manager of the Research & Development Centre of the Company. From December 2004 to October 2005, he was the CTO of Components Strategic Business Unit of TCL Corporation and the Deputy Principal and Acting Principal of TCL Corporate Research. From October 2005 to the present, he is the President of TCL Corporate Research of TCL Corporation. From May 2008 to November 2012, Dr. YAN was the Vice President of TCL Corporation.

Dr. Yan is also a member of the National Advisory Committee on New Materials Industry, a member of the national expert group for planning of "New Materials Research and Development and Application" Key Project", the leader of the expert group of New Display Key Project of the 12th Five-Year Plan of the Ministry of Science and Technology of the PRC, the expert of planning group for Implementation Plan of Key Project on Strategic Advanced Electronic Materials of the National "13th Five-Year " Plan, a Committee Member of the Electrical Technology Committee of the Ministry of Industry and Information Technology of the PRC, Chairman (Asia) of Society For Information Display, a Director of the Display Technology Committee of the Chinese Vacuum Society.

Dr. YAN was graduated from the Institute of Plasma Physics of Chinese Academy of Science with a Doctoral Degree in July 1999. From July 1999 to May 2001, he worked as a postdoctoral fellow in the Chinese Academy of Science. Dr. YAN is currently a Professor-level Senior Engineer and a Concurrent Professor in the Department of Information Engineering, Peking University.

Dr. YAN was awarded the special allowance from the State Council of the PRC, the National Middle-aged and Young Expert with Outstanding Contributions in the National "Hundred, Thousand and Ten Thousand Talent Project", Outstanding Leader for Technology and Innovation in Special Support for High-level Talent Program by Organization Department of the CPC Central Committee, the Leader of the Innovative Team in Key Sector of Innovative Talent Promotion Program supported by the Ministry of Science and Technology's, Guangdong Province's Guangdong Hundred Talent, the Labour Model of Guangdong Province and the Outstanding National Leader of Shenzhen. In addition, Dr. YAN completed 12 national projects as a person-in-charge, formulated one set of International Electrotechnical Commission international standard and two sets of national standard as a group leader, as well as registered 32 patents of his inventions as the chief inventor, two of which were awarded the Gold Award and Outstanding Award of the PRC National Patent Award respectively.

EXECUTIVE DIRECTORS

MS. CHRIS XU FANG

Aged 53, is currently a member of the Strategy Executive Committee and the Remuneration Committee and Chief Human Resources Officer ("CHO") of the Company, Vice President of TCL Corporation and Executive President of TCL University of TCL Corporation. Joined TCL Corporation in February 2004, Ms. XU had successively served as the Dean of Institute of Training and the Dean of Academy of Leadership Development of TCL Corporation.

Ms. XU is also an adjunct professor for EMBA program at HSBC Business School of Peking University and an adjunct corporate professor for Entrepreneurship EMBA program at New Huadu Business School. Ms. XU graduated from Nanjing Normal University majoring in English Linguistics and obtained a Master's Degree in Business Administration from New York Institute of Technology of the United States of America.

MS. CHRIS XU FANG

NON-EXECUTIVE DIRECTORS

MR. ALBERT THOMAS DA ROSA, JUNIOR

Aged 63, is a Non-executive Director of the Company. He has been a director of the Company since November 1999. Mr. DA ROSA holds both Bachelor's and Master's Law Degrees from The University of Hong Kong. He qualified as a solicitor in Hong Kong in 1980. He is currently a practicing solicitor and a partner of Messrs. Cheung Tong & Rosa Solicitors, Hong Kong.

Mr. DA ROSA is a fellow of The Chartered Institute of Arbitrators and The Hong Kong Institute of Directors, a member of the Hong Kong Securities and Investment Institute and the Hong Kong Society of Registered Financial Planners and an accredited mediator with certain institutions in the U.K. and Hong Kong.

Mr. DA ROSA is an Independent Non-executive Director of HKC (Holdings) Limited, and the Company Secretary of Y.T. Realty Group Limited and Yugang International Limited, all of which are companies listed on the Hong Kong Stock Exchange.

Mr. DA ROSA serves as Chairman of the Appeal Tribunal (Buildings) Panel and the Chairman of the Board of Review (Inland Revenue Ordinance) Panel. He served the Solicitors Disciplinary Tribunal Panel from 1998 to 2014 as member, Deputy Tribunal Convenor and ultimately the Tribunal Convenor. He also served as a member of the Academic and Accreditation Advisory Committee of the Securities and Futures Commission of Hong Kong from 2003 to 2009.

MR. ALBERT THOMAS DA ROSA, JUNIOR

NON-EXECUTIVE DIRECTORS

MR. HUANG XUBIN

MR. HUANG XUBIN

Aged 51, is a Non-executive Director and a member of the Audit Committee of the Company, an Executive Director, Chief Financial Officer ("CFO") and a member of the Executive Committee of TCL Corporation, and a Non-executive Director of TCL Communication.

Mr. HUANG joined TCL in March 2001 and served as an Officer and General Manager of the Financial Settlement Centre of TCL Corporation, the Chief Economist, Vice President and Financial Director of TCL Corporation, General Manager of TCL Finance Co., Ltd. ("Finance Company"), and the Chairman of Highly Information Industry Co., Ltd, which is a company listed on National Equities Exchange and Quotations in the PRC ("NEEQ") since 29 December 2015 (stock code: 835281). At present, Mr. HUANG is also the Chairman of Finance Company, the director of Shenzhen TCL Real Estate Co., Ltd, the director of Huizhou TCL Home Appliance Group Co. Ltd, and the Chairman of Huizhou City Zhongkai TCL Zhi Rong Technology Small Loans Co., Ltd, the Chairman of Shenzhen Qianhai Commerce Payment Technology Co., Ltd, the Chairman of TCL Finance Holdings Group (Shenzhen) Co., Ltd, the Chairman of TCL Finance Technology (Shenzhen) Co., Ltd, the Chairman of TCL Finance Service (Shenzhen) Co., Ltd, the Chairman of TCL Business Factoring (Shenzhen) Co., Ltd. and a Director of Bank of Shanghai Co., Ltd.

Before joining TCL, Mr. HUANG served as Head of Credit Facilities Department of China Construction Bank, Guangdong Branch, Manager of Guotai Junan Securities Co. Ltd., Guangzhou Branch, and Senior Manager of Guangzhou Office of China Cinda Asset Management Co., Ltd. Mr. HUANG is a Senior Economist. He graduated from Hunan University (formerly known as Hunan College of Finance and Economics), and obtained a Master's Degree in Economy at Research Institute for Fiscal Science, Ministry of Finance, the PRC, and holds an EMBA Degree from China Europe International Business School.

NON-EXECUTIVE DIRECTORS

MR. WINSTON SHAO-MIN CHENG

Aged 44, is currently the Non-executive Director of the Company. Mr. CHENG joined LeEco Holding Ltd. in August 2015, and is currently Senior Vice President, Head of Global Corporate Finance & Development and Vice Chairman of Investment Committee, and is responsible for global finance businesses including financing, investments and Mergers & Acquisitions of LeEco Holding Ltd. and its subsidiaries and affiliates (collectively "Leshi"). Before joining Leshi, Mr. CHENG was the Head of Asia Technology, Media and Telecom at Bank of America Merrill Lynch. Prior to joining Bank of America Merrill Lynch in September 2013, Mr. CHENG was Managing Director and Head of Asia Ex-Japan IBD Technology Group and was also Head of Asia ex-Japan Consumer Retail Group at Goldman Sachs. Mr. CHENG joined Goldman Sachs in 2007. Prior to that, Mr. CHENG worked for over 10 years at Citi. Mr. CHENG began his investment banking career with Salomon Brothers in 1996. He has worked in New York, Palo Alto and Hong Kong during his 20 years in investment banking.

Mr. CHENG earned a BA in Economics and Chinese Language from the University of California, Berkeley, in 1995.

MR. WINSTON SHAO-MIN CHENG

NON-EXECUTIVE DIRECTORS

MR. ABULIKEMU ABULIMITI

Aged 36, is currently a Non-executive Director of the Company. Mr. ABULIMITI joined Leshi in 2014 and is a Vice President of Strategic Management of LeEco Holding Ltd., and reports directly to Leshi's CEO, Mr. Jia Yueting. Mr. ABULIMITI takes the overall responsibility of Leshi's global strategic planning, and strategic operation and management to promote strategic innovative business and investment planning. He is also responsible for, together with the HR Department, Leshi's organizational structure design and performance management. In addition, he is in charge of synergizing Leshi's ecosystem segments and cross-sector coordination, internal governance and management, and information systems planning and development.

Mr. ABULIMITI was admitted into the Department of Biology at Tsinghua University in 2000 as the top scorer in Xinjiang in the national college entrance examination of science and graduated with a Bachelor degree in 2004, and also graduated from Tsinghua University School of Economics and Management with a Master degree in 2006. Before joining Leshi, he served as the executive director of Roland Berger Strategy Consultants (Shanghai) Ltd., responsible for business development and project management in the fields of Internet, consumer goods and aviation.

MR. ABULIKEMU ABULIMITI

INDEPENDENT NON-EXECUTIVE DIRECTORS

MR. ROBERT MAARTEN WESTERHOF

Aged 73, is an Independent Non-executive Director of the Company. He has over thirty years' experience in the electronics industry. Mr. WESTERHOF had held senior management positions in the Computer, Telecommunications and Medical Systems divisions of Philips, his last positions were CEO of Philips Asia (based in Hong Kong and Shanghai) and CEO of Philips North America (based in New York). After his retirement from Philips, Mr. WESTERHOF became the President of the European top soccer team PSV Eindhoven (a voluntary job). Mr. WESTERHOF is the Co-Chairman of Thinktank Omega, an independent think tank that advises the government of the Netherlands on economics, financial and social issues and the Chairman of Supervisory Board of AND Technologies N.V., a global leading provider of navigation solutions and digital maps which listed on the Amsterdam Stock Exchange. Mr. WESTERHOF is a member of the Supervisory Board of Teleplan, a digital hardware and software service provider with 22 factories worldwide, headquartered in the Netherlands. Mr. WESTERHOF also serves as the Chairman of the Supervisory Board of Sparta Beheer B.V., a leading soccer club based in Rotterdam, the Netherlands with a subsidiary in Hong Kong.

Mr. WESTERHOF holds a Master's Degree in Business Administration at the Erasmus University of Rotterdam, the Netherlands, and he has also completed Harvard Business School's Advanced Management Program and International Senior Management Program.

MR. ROBERT MAARTEN WESTERHOF

INDEPENDENT NON-EXECUTIVE DIRECTORS

DR. TSENG SHIENG-CHANG CARTER

DR. TSENG SHIENG-CHANG CARTER

Aged 68, is an Independent Non-executive Director, the Chairman of the Remuneration Committee, and a member of the Audit Committee and the Nomination Committee of the Company. Dr. TSENG served as an Independent Non-executive Director of TCL Corporation from 20 June 2008 to 20 June 2011. Dr. TSENG is currently a Senior Consultant of the Shenzhen Municipal Government, Senior Consultant of Tianjin Economic-Technological Development Area and the Executive Chairman of "Nankai International Business Forum". Dr. TSENG also serves as adjunct professor at a number of renowned universities over the globe including the University of Alberta (Canada), the City University of Hong Kong, the Nankai University in Tianjin, the Sichuan University and the University of Electronic Science and Technology of China in Chengdu. Dr. TSENG is also a member of the U.S.-based "Committee of 100".

Dr. TSENG holds a Bachelor of Science in Electrical Engineering from the National Taiwan University, he then pursued further studies at the University of California where he received his Master and Doctoral degrees in Computer Science and Electronics Engineering. Dr. TSENG has over 31 years of experience in the high-tech industry. While in the U.S., Dr. TSENG worked at PARC (XEROX Research Center) in Silicon Valley and various U.S. based companies including Lockheed Aircraft Co. and NRL. Dr. TSENG then returned to Taiwan in 1980, and was a Co-Founder of MICROTEK which was listed in 1988 – the world class leader in the Image Scanner industry, one of the first and most successful listed high-tech companies based in Taiwan Hsinchu Science Park. Dr. TSENG has also drawn on his rich experience to coaching and mentoring executives and managers in the high-tech arena. In 1998, Dr. TSENG set up the "Little Dragon Foundation" with a mission to guide entrepreneurs of tomorrow, which has served many large corporations in the PRC. Dr. TSENG also serves as the overseas director of Canada National Institute of Nano-Technology and a director of China National Academy of Nano-Technology & Engineering.

INDEPENDENT NON-EXECUTIVE DIRECTORS

PROFESSOR SO WAI MAN RAYMOND

Aged 51, Bronze Bauhinia Star (BBS), Justice of the Peace (JP), is an Independent Non-executive Director, the Chairman of the Audit Committee, and a member of the Nomination Committee and the Remuneration Committee of the Company. He is currently the Dean of the School of Continuing Education of Hong Kong Baptist University. Professor SO was formerly the Dean of School of Business and a Professor of Finance at Hang Seng Management College; also worked at The Chinese University of Hong Kong from 1997 to 2010, and served as the Associate Dean (Undergraduate Studies) of the Faculty of Business Administration from 2005 to 2007. From December 2014 to July 2016, Professor SO was an independent Non-executive Director of the Bolina Holding Co., Ltd. (stock code: 1190), which is a company listed on the Hong Kong Stock Exchange.

Professor SO graduated from the Chinese University of Hong Kong with degrees of Bachelor of Business Administration and a Master of Business Administration. He then pursued further studies at Louisiana State University where he received his Doctoral degree in Finance. Professor SO also obtained a Bachelor of Laws at Tsinghua University.

Professor SO's research findings and views have been widely quoted or reported in local and international journals and media. Apart from his academic endeavors, Professor SO also holds various positions in public services in energy and housing.

PROFESSOR SO WAI MAN RAYMOND

INDEPENDENT NON-EXECUTIVE DIRECTORS

PROFESSOR WANG YIJIANG

PROFESSOR WANG YIJIANG

Aged 63, is an Independent Non-executive Director, the Chairman of the Nomination Committee, and a member of the Audit Committee and the Remuneration Committee of the Company. He is currently the Professor of Economics and Human Resource Management and an Academic Associate Dean at Cheung Kong Graduate School of Business (in charge of the Shenzhen campus), a research fellow at the William Davidson Institute of Transition Economics at the University of Michigan and a senior fellow at the National Center of Economic Research, Tsinghua University. He is currently also an Independent Director of Beijing Huatu Hongyang Education Culture Corp., Ltd. (stock code: 830858), which is a company listed on NEEQ; an Independent Director of Shenzhen ZQGame Co., Ltd. (stock code: 300052) and an External Director of XCMG Construction Machinery Co., Ltd. (stock code: 000425), both of which are companies listed on Shenzhen Stock Exchange; a Non-executive Director of Zhejiang Red Dragonfly Footwear Co.,Ltd. (stock code: 603116), which is a company listed on Shanghai Stock Exchange; and an Independent Non-executive Director of Zhuhai Holdings Investment Group Limited (stock code: 908), which is a company listed on the Stock Exchange.

He served as a consultant of World Bank, a senior researcher of Chinese Economy Research Institute in Business and Management School of Tsinghua Unversity and Vice President of the Chinese Economists Society of North America. He was also a Professor Emeritus of Human Resource Management at the Carlson School of Management of University of Minnesota.

His research areas cover human resource management, labour and personnel economics, comparative international management systems, economics of transition and emerging markets and economics of organisation, and his research findings have been frequently quoted.

Professor WANG graduated from the Peking University with a Bachelor's degree in Economics and a Master's degree in International Economics in 1982 and 1985 respectively. He then pursued further studies and obtained a Master's degree and a Doctor of Philosophy degree in Economics at the Harvard University in 1989 and 1991 respectively.

SENIOR MANAGEMENT

MR. MICHAEL WANG YI

Aged 39, a member of Management Team of the Company, is currently holding the position of CFO of the Company. Since joined the Company in September of 2013, he had held the positions of Vice President and Financial Controller of the Company. From 1999 to 2001, Mr. WANG worked successively as a Cost Accountant and Budget Supervisor in Financial Department in Compressor Business Unit of Midea Group. In 2002, he was transferred to work as a Planning and Investment Manager in Business Strategy and Investment Management Department of Midea Group. From 2003 to 2009, he was transferred to serve as Head of Business Management Department and Finance Department in the Microwave Electronics Business Unit of Midea Group. From 2009 to 2012, he worked as the First Vice President to oversee Finance, HR, IT and Legal affairs in Twins Group. Mr. WANG graduated from Jiangxi University of Finance and Economics in 1998 and holds a Bachelor Degree in Accounting. In 2008, he acquired a Master Degree of EMBA from China Europe International Business School.

MR. KEVIN WANG CHENG

Aged 42, a member of Management Team of the Company, joined the Company in July of 1997, is currently holding the position of COO of the Company, General Manager of Supply Chain Management Center, Head of Overseas Business Center (OBC), and assisting CEO for China market as well. During 1997 to 2006, he took roles of HR Department of China Sales Center and Europe Channel Customers Department of Strategic OEM Business Center of TTE. From 2007 to 2015, he successively worked as General Manager of TCL Vietnam Corporation Limited, General Manager of Overseas Business Center and Vice President of the Company. From June 2015 to July 2016, Mr. WANG was assigned as HR Director and General Manager of Human Resource Management Center of TCL Corporation. Started from July 2016, he became a member of Management Team of the Company as well as General Manager of Supply Chain Management Center. Mr. WANG graduated from Heilongjiang Commercial College in 1997 with a Bachelor Degree in Economics. In 2005, he acquired a Master Degree of Executive Business Administration from University of Texas at Arlington.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Directors

Mr. Albert Thomas DA ROSA, Junior
Mr. HUANG Xubin
Mr. Winston Shao-min CHENG (appointed as a non-executive director with effect from 11 May 2016)
Mr. Abulikemu ABULIMITI (appointed as a non-executive director with effect from 11 May 2016)

Independent Non-Executive Directors

Mr. TANG Guliang (resigned as an independent non-executive director with effect from 1 February 2016)
Mr. Robert Maarten WESTERHOF
Dr. TSENG Shieng-chang Carter
Professor SO Wai Man Raymond
Professor Wang Yijiang (appointed as an independent non-executive director with effect from 1 February 2016)

COMPANY SECRETARY

Ms. PANG Siu Yin, Solicitor, Hong Kong (resigned as the company secretary with effect from 13 August 2016)
Ms. CHOY Fung Yee, Solicitor, Hong Kong (appointed as the company secretary with effect from 13 August 2016)

AUDITOR

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

LEGAL ADVISOR

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

PRINCIPAL REGISTRAR

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

BRANCH REGISTRAR

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

PRINCIPAL OFFICE

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

REGISTERED OFFICE

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

INVESTOR AND MEDIA RELATIONS

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

INTRODUCTION

The board of directors of the Company ("Board") aims to achieve a high standard of corporate governance and business ethics in pursuing its mission of becoming the world's leader in the multimedia industry. The Group's ultimate goal is to maximise values for its shareholders and customers, and to provide opportunities for employees.

The Board is committed to enhancing the Group's corporate governance standards by improving corporate transparency through effective channels of information disclosure. The Board believes that good corporate governance is beneficial for maintaining close and trustful relations with its employees, business partners, shareholders and investors.

On 13 August 2013, the Company has adopted a corporate governance code prepared based on the code provisions (the "Code Provisions") of the latest revised code on corporate governance (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules") as the guidelines for corporate governance of the Company, and has taken steps to comply with the Code wherever appropriate.

CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31 December 2016, the Company has complied with the Code Provisions with the following exceptions:

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, and Mr. TANG Guliang, Mr. Robert Maarten WESTERHOF and Dr. TSENG Shieng-chang Carter, being independent non-executive directors of the Company, were not present at the extraordinary general meeting ("EGM") of the Company held on 14 January 2016;

(2) 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 ("AGM") of the Company held on 18 May 2016;

(3) 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 EGM of the Company held on 19 July 2016; and

(4) Mr. HUANG Xubin, Mr. Albert Thomas DA ROSA, Junior, Mr. Winston Shao-min CHENG and Mr. Abulikemu ABULIMITI, being non-executive directors of the Company, and Mr. Robert Maarten WESTERHOF, Dr. TSENG Shieng-chang Carter and Professor WANG Yijiang, being independent non-executive directors of the Company, were not present at the EGM of the Company held on 6 December 2016.

However, (i) Mr. Albert Thomas DA ROSA, Junior and Professor SO Wai Man Raymond were present at the aforesaid EGM held on 14 January 2016; (ii) Mr. Albert Thomas DA ROSA, Junior, Dr. TSENG Shieng-chang Carter and Professor SO Wai Man Raymond were present at the aforesaid AGM held on 18 May 2016; (iii) Mr. Albert Thomas DA ROSA, Junior, Dr. TSENG Shieng-chang Carter and Professor SO Wai Man Raymond were present at the aforesaid EGM held on 19 July 2016; and (iv) Professor SO Wai Man Raymond was present at the aforesaid EGM held on 6 December 2016 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 ("Articles"), and on re-election of the retiring directors, shareholders are given information that is reasonably necessary for them to make an informed decision on the reappointment of the relevant directors.

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

Due to other pre-arranged business commitments which must be attended by him, Mr. LI Dongsheng, the Chairman, was not present at the AGM held on 18 May 2016. However, as mentioned above, one non-executive director and two independent non-executive directors of the Company were present at the AGM. Moreover, Ms. XU Fang, an executive director of the Company, was present at the AGM and was elected chairman thereof pursuant to the Articles to ensure an effective communication with the Shareholders thereat.

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.

Ms. PANG Siu Yin ("Ms. PANG"), the company secretary of the Company until her resignation which took effect on 13 August 2016, and Ms. CHOY Fung Yee ("Ms. CHOY"), the current company secretary of the Company appointed with effect from 13 August 2016, are not employees of the Company.

Ms. PANG was a partner of the Company's legal advisor, Messrs. Cheung Tong & Rosa Solicitors. Ms. PANG has been appointed as the company secretary of the Company since 1999 until her resignation. Ms. CHOY is a partner of the Company's legal advisor, Messrs. Cheung Tong & Rosa Solicitors.

The Company has also assigned Mr. SIN Man Lung, financial controller of the Company, as the contact person with Ms. PANG (during her office) and 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. PANG (during her office) and Ms. CHOY through the contact person assigned. Given the long-term relationship between Messrs. Cheung Tong & Rosa Solicitors and the Group, Ms. PANG (during her office) and Ms. CHOY are both 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. PANG (during her office) and Ms. CHOY would get hold of the Group's development promptly without material delay and with their expertise and experience, the Board is confident that having Ms. PANG (during her office) and Ms. CHOY as the company secretary is beneficial to the Group's compliance with the relevant board procedures, applicable laws, rules and regulations.

COMPLIANCE WITH DEED OF NON-COMPETITION

The Company has received two confirmations (the "Confirmations") from TCL Corporation and T.C.L. Industries Holdings (H.K.) Limited ("T.C.L. Industries") (collectively the "Covenantors") signed by them confirming that for the period from 1 January 2016 to 31 December 2016 and up to the date of signing the Confirmations by the relevant Covenantors, they have fully complied with the deed of non-competition executed by the Covenantors in favour of the Group on 15 November 1999 (the "Deed of Non-Competition") as amended from time to time.

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

DIRECTORS

The Board

The Board, led by the chairman, steers the Company's business direction. It is responsible for formulating the Company's long-term strategies, setting business development goals, assessing results of management policies, monitoring the management's performance and ensuring effective implementation of risk management measures on a regular basis.

The directors meet regularly to review the Group's financial and operational performance and to discuss and formulate future development plans. Regular Board meetings are attended by a majority of the directors in person or through other electronic means of communication.

Board Composition

There are currently 12 directors, all being industry veterans, responsible to the shareholders for formulating the overall business development targets and long-term company strategies, assessing results of management policies and monitoring performance of the management. The Board currently comprises the following directors:

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

Non-executive Directors
Mr. Albert Thomas DA ROSA, Junior
Mr. HUANG Xubin
Mr. Winston Shao-min CHENG
Mr. Abulikemu ABULIMITI

Independent Non-executive Directors
Mr. Robert Maarten WESTERHOF
Dr. TSENG Shieng-chang Carter
Professor SO Wai Man Raymond
Professor WANG Yijiang

Note:

With effect from 1 February 2016, Mr. TANG Guliang (former independent non-executive director) resigned and Professor WANG Yijiang was appointed as an independent non-executive director of the Company.

Mr. Winston Shao-min CHENG and Mr. Abulikemu ABULIMITI were appointed as non-executive directors of the Company with effect from 11 May 2016.

An updated list of the Company's directors by category identifying their role and function is at all times available on the websites of the Company and the Hong Kong Stock Exchange. The list specifies whether the director is an independent non-executive director and expresses the respective roles and functions of each director.

The Company identifies the independent non-executive directors in all corporate communications which disclose the names of directors.

Details of the biographies of the directors are given under the section "Directors and Senior Management" of this annual report on pages 30 to 43.

There are no relationships (including financial, business, family or other material or relevant relationships) among members of the Board.

The non-executive directors play an important role on the Board. Accounting for more than half of the Board members, they are experienced professionals in their respective fields. They are responsible for ensuring that the Board maintains high standards of financial and other mandatory reporting as well as providing adequate checks and balances for safeguarding the interest of shareholders of the Company and the Group as a whole. Throughout the year of 2016, the Company's Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one of them possessing appropriate professional qualifications on accounting or related financial management expertise. The number of independent non-executive directors has represented at least one-third of the Board.

Number of meetings attended/eligible to attend in 2016

During the year of 2016, the Board held 4 regular meetings at about quarterly intervals and 7 additional meetings. As regards general meetings, the Company held the AGM on 18 May 2016 and 3 EGMs during the year to consider the matters regarding (i) the subscription agreement between the Company and 樂視致新電子科技（天津）有限公司 (transliterated as Leshi Zhixin Electronic Technology (Tianjin) Co., Ltd.); (ii) the Sourcing Framework Agreement (2016) and the Key Component Sourcing Contract (2016); and (iii) the Master After Sale Service (TV Products) (2016 Renewal) Agreement. A table summary in regard to the directors' participation at the various board meetings and board committee meeting and the Company's general meetings is set out below:

	Regular Board Meetings	Additional Board Meetings	Audit Committee	Remuneration Committee	Nomination Committee	Strategy Executive Committee	General Meetings
Executive Directors							
Mr. LI Dongsheng	2/4	1/7	N/A	N/A	N/A	N/A	0/4
Mr. BO Lianming	4/4	5/7	N/A	N/A	N/A	1/1	1/4
Mr. YAN Xiaolin	4/4	6/7	N/A	N/A	N/A	1/1	0/4
Ms. XU Fang	4/4	6/7	N/A	2/2	N/A	1/1	1/4
Non-Executive Directors							
Mr. Albert Thomas DA ROSA, Junior	4/4	6/7	N/A	N/A	N/A	N/A	3/4
Mr. HUANG Xubin	4/4	5/7	5/5	N/A	N/A	N/A	0/4
Mr. Winston Shao-min CHENG (Note 4)	1/2	2/3	N/A	N/A	N/A	N/A	0/3
Mr. Abulikemu ABULIMITI (Note 4)	1/2	2/3	N/A	N/A	N/A	N/A	0/3
Independent Non-executive Directors							
Mr. Robert Maarten WESTERHOF	4/4	7/7	N/A	N/A	N/A	N/A	0/4
Dr. TSENG Shieng-chang Carter	2/4	5/7	4/5	2/2	1/1	N/A	2/4
Professor SO Wai Man Raymond (Note 3)	4/4	7/7	5/5	2/2	1/1	N/A	4/4
Mr. TANG Guliang (Note 1)	N/A	2/2	N/A	1/1	1/1	N/A	0/1
Professor WANG Yijiang (Note 2)	4/4	4/5	5/5	1/1	N/A	N/A	0/3

Notes:

1. Mr. TANG Guliang resigned as an independent non-executive director of the Company, chairman of the Audit Committee and member of the Nomination Committee and Remuneration Committee with effect from 1 February 2016.

2. Professor WANG Yijiang was appointed as an independent non-executive director of the Company, chairman of the Nomination Committee and member of the Audit Committee and Remuneration Committee with effect from 1 February 2016.

3. Professor SO Wai Man Raymond was appointed as the chairman of the Audit Committee and resigned as the chairman of the Nomination Committee (but he would remain as a member) with effect from 1 February 2016.

4. Mr. Winston Shao-min CHENG and Mr. Abulikemu ABULIMITI were appointed as non-executive directors of the Company with effect from 11 May 2016.

Notice of regular Board meetings are served to all directors at least 14 days before the meeting while reasonable notice is generally given for other board meetings.

Agenda and Board papers together with all appropriate, complete and reliable information are sent to all directors in a timely manner, and at least 3 days before the intended date of each Board or committee meeting, except agreed otherwise among the members, to ensure that they had sufficient time to review the board papers, be adequately prepared for the meeting, keep the directors apprised of the latest developments and financial position of the Company and to enable them to include any matter in the agenda and to make informed decisions.

The Board and each director, upon reasonable request, have access to independent professional advice to assist them in performing their duties to the Company, at the Company's expense. When needed and upon making request to the Board, directors may obtain independent professional advice at the Company's expense in carrying out their duties.

Minutes of all Board meetings and Audit Committee and Remuneration Committee and Nomination Committee meetings are kept by the company secretary. All of the above minutes record the matters considered and the discussions and decisions reached by the relevant members in sufficient detail, including any concern raised by directors or dissenting views expressed. Any director may inspect the minutes at any reasonable time on reasonable notice.

Draft minutes are normally circulated to directors or members of the relevant committee for comment within a reasonable time after each meeting and the final version is sent to all directors or committee members for their record.

According to the current Board practice, any transaction, which involves a conflict of interests between a substantial shareholder or a director and the Company, will be considered and dealt with by the Board at a duly convened Board meeting with the presence of the independent non-executive directors who have no material interest in the said transaction. Directors are abstained from voting and not be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

The Company has maintained appropriate insurance cover in respect of legal action against its directors and officers arising out of corporate activities.

Chairman and CEO

The Company fully supports the division of responsibility between the Chairman of the Board and the CEO to ensure a balance of power and authority, and has adopted a set of consolidated memorandum of duties setting out its division of responsibilities between the Chairman and the CEO on 24 February 2012. The position of the Chairman was held by Mr. LI Dongsheng while the position of CEO was held by Mr. BO Lianming during the year ended 31 December 2016.

This ensures a clear distinction between the Chairman's duty to manage the Board and the CEO's duty to oversee the overall internal operation of the Company.

The core duties of the Chairman include:

- ensuring, with the assistance of the management, that the directors receive adequate, accurate, clear, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings;

- providing leadership for the Board;

- ensuring that the Board works effectively, performs its responsibilities, discuss all key and appropriate issues in a timely manner, with good corporate governance practices and procedures;

- ensuring that the agenda for each Board meeting are drawn up and approving the same, taking into account matters proposed by other directors;

- encouraging all directors to fully and actively contribute to the Board's affairs and express different views and discuss issues in sufficient depth before reaching any consensus in board decisions;

- facilitating the effective contribution of directors, in particular, non-executive directors, and promote the constructive relations between executive and non-executive directors;

- meeting at least annually with the non-executive directors (including independent non-executive directors) without the executive directors present. The Board regarded such meeting as opinion exchange gathering whereby a broad range of strategic and performance matters were openly discussed; and

- ensuring the effective communication between the Board and the shareholders as a whole through different channels, including (i) printed or electronic copies (as elected by shareholders) of corporate communications required by the Listing Rules; (ii) the AGM which provides a forum for shareholders to raise comments and exchange views with the Board; (iii) the Company's website which allows the shareholders to acquire the updated and key information on the Group and to provide feedback for the Company.

Appointments, re-election and removal of members of the Board

Under article 116 of the Articles, at each AGM, one-third of the directors for the time being shall retire from office by rotation and every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every 3 years while those retiring directors shall be eligible for re-election. Any director who has not been subject to retirement by rotation in the 3 years preceding the AGM shall retire by rotation at such AGM.

At the last AGM held on 18 May 2016, Mr. LI Dongsheng, Mr. YAN Xiaolin, Mr. Albert Thomas DA ROSA, Junior and Dr. TSENG Shieng-chang Carter retired from office by rotation pursuant to Articles 116, and were re-elected as directors thereat.

Independent Non-executive Directors

Pursuant to Rule 3.13 of the Listing Rules, the Company has received a written confirmation from each independent non-executive director of his/her independence to the Company. The Company has assessed the independence and considers all of the independent non-executive directors to be independent based on the independence criteria in accordance with the requirements in Listing Rules, their non-involvement in the daily operation and management of the Group and the absence of any relationships which will interfere with the exercise of their independent judgement.

Mr. Robert Maarten WESTERHOF has served the Company for more than 9 years, since his appointment in 2006. However, the Company believes that Mr. Robert Maarten WESTERHOF is still independent and should be re-elected because he is very familiar with the business and operation of the Group as well as relevant responsibilities, obligations and requirements under the Listing Rules for being an independent non-executive Director. Mr. Robert Maarten WESTERHOF's further appointment was also subject to a separate resolution approved by shareholders in the AGM held on 28 April 2015.

In the circular dated 25 March 2015, the Board explained why it believed Mr. Robert Maarten WESTERHOF to be independent when proposing to elect him as an independent non-executive director at the general meeting held on 28 April 2015.

Non-executive Directors

Under the Code Provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election.

Mr. Robert Maarten WESTERHOF and Mr. HUANG Xubin will retire from office by rotation at the forthcoming AGM and are subject to re-election by the shareholders of the Company at the forthcoming AGM, who, if re-elected, will hold office until the conclusion of the AGM of 2020.

All the other non-executive directors (namely Mr. Albert Thomas DA ROSA, Junior, Mr. Winston Shao-min CHENG, Mr. Abulikemu ABULIMITI, Dr. TSENG Shieng-chang Carter, Professor SO Wai Man Raymond and Professor WANG Yijiang) were elected to hold office for a specific term until the AGM to be held in 2018 or 2019, depending on the year in which they previously retired by rotation and were thereafter re-elected.

Nomination of Directors

The Board has established a nomination committee to provide a framework and set the standards for the appointment of high quality directors who should have the capacity and ability to lead the Company towards achieving sustainable development. It considers matters regarding the nomination and/or appointment or re-appointment of director(s).

Details of the Nomination Committee are set out in the sub-section headed "Nomination Committee" below.

Responsibilities of Directors

The financial controller of the Company, with assistance from the Company's external legal advisor, works closely with the newly appointed directors both immediately before and after his/her appointment to acquaint the newly appointed directors with the duties and responsibilities as a director of the Company and the business operation of the Company.

A package compiled and reviewed by the Company's legal advisor setting out such duties and responsibilities under the Listing Rules, Companies Ordinance and other related law and relevant regulatory requirements of Hong Kong is provided to each newly appointed director. The package also includes information relating to the operations and business of the Group. The directors are updated with the latest developments in laws, rules and regulations relating to the duties and responsibilities of directors from time to time. Guidelines for directors issued by the Company Registry of Hong Kong have been forwarded to each director for his/her information and ready reference.

The Board views that the non-executive directors are well-aware of their functions and have been actively performing their functions including but not limited to exercising their independent judgement at the Board Meetings, taking the lead where potential conflicts of interest arise, scrutinizing the Company's performance and providing constructive and informed advice on the business strategy, policy, performance and management of the Company. They regularly review the financial information, monitor the operational performance of the Company and serve on the Audit Committee, Remuneration Committee and/or Nomination Committee.

The directors have disclosed to the Company at the time of their appointment, and in a timely manner for any change, the number and nature of offices held in public companies or organisations and other significant commitments. They have also informed the Company of the identity of other public companies or organisations they serve and the time involved in these public companies or organisations.

All directors have devoted their time and attention to the affairs of the Company with their hands-on knowledge and expertise in the areas and operation in which he/she is charged with. The contribution made by the directors to the affairs of the Company is measured in terms of time as well as quality of the attention and the ability of the directors with reference to his/her necessary knowledge and expertise. The satisfactory attendance of Board meetings, general meetings and board committee meetings indicates the constant participation of all directors, including executive, independent non-executive and other non-executive directors and ensures the better understanding of the views of shareholders by all directors. The extent of participation and contribution should be viewed both quantitatively and qualitatively.

To fulfil their duties properly, where they consider it as necessary to obtain additional information other than that is provided by the management, the directors made inquiries during the Board meetings and board committee meetings. The queries raised by directors have received a prompt and full response.

Induction and Continuous Professional Development

The directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities through various Board meetings, resolutions, memos and Board papers. According to the records maintained by the Company, the directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the requirement of the Code on continuous professional development during the period from 1 January 2016 to 31 December 2016:

Directors	Read materials	Attend seminars/briefings
Executive Directors		
Mr. LI Dongsheng	✓	–
Mr. BO Lianming	✓	–
Mr. YAN Xiaolin	✓	–
Ms. XU Fang	✓	–
Non-executive Directors		
Mr. Albert Thomas DA ROSA, Junior	✓	✓
Mr. HUANG Xubin	✓	–
Mr. Winston Shao-min CHENG	✓	✓
Mr. Abulikemu ABULIMITI	✓	✓
Independent Non-executive Directors		
Mr. Robert Maarten WESTERHOF	✓	✓
Dr. TSENG Shieng-chang Carter	✓	–
Professor SO Wai Man Raymond	✓	–
Professor WANG Yijiang	✓	–

Securities Transactions Guidelines

The Board has adopted a code of conduct regarding directors' securities transaction 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") as set out in Appendix 10 to the Listing Rules.

Specific enquiries have been made with all directors and they have confirmed that throughout the year ended 31 December 2016, they complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions.

The directors' interests in shares of the Company as at 31 December 2016 are set out on page 79 of this annual report.

The Board has also established written guidelines on no less exacting terms than the Model Code for the relevant employee, including any employee or a director or employee of a subsidiary or holding company who, because of his office or employment, is likely to be in possession of inside information in relation to the issuer or its securities, in respect of their dealings in the Company's securities.

DELEGATION BY THE BOARD

Management Functions

The Board delegates its powers and authorities from time to time to board committees (the "Board Committees") in order to ensure the operational efficiency and specific issues are being handled by relevant expertise. All Board Committees are provided with accurate and sufficient information in timely manner so as to enable the Board Committees to make informed decisions for the benefit of the Company and sufficient resources to discharge their duties.

On 24 February 2012, the Board has adopted a set of consolidated memorandum of duties setting out its delegation policy. The segregation of duties and responsibilities between the Board and the management has been clearly defined and provided as internal guidelines of the company.

The types of decisions which are to be taken by the Board include those relating to:

- corporate and capital structure;
- corporate strategy;
- significant policies affecting the Company as a whole;
- business plan, budgets and public announcements;
- delegation to the Chairman, and delegation to and by Board Committees;
- key financial matters;

- appointment, removal or reappointment of Board members, senior management and auditor;
- remuneration of directors and senior management; and
- communication with key stakeholders, including shareholders and regulatory bodies;

The types of decisions that the Board has delegated to the management include:

- approving the extension of the Group's activities not in a material manner into a new geographic location or a new business;
- approving assessing and monitoring the performance of all business units and ensuring that all necessary corrective actions have been taken;
- approving expenses up to a certain limit;
- approving the entering into of any connected transactions not requiring disclosure under the Listing Rules;
- approving the nomination and appointment of personnels other than the member of the Board, senior management and auditor;
- approving press release concerning matters decided by the Board;
- approving any matters related to routine matters or day-to-day operation of the Group (including the entering into of any transaction not requiring disclosure under the Listing Rules and cessation of non-material part of the Group's business); and
- carrying out any other duties as the Board may delegate from time to time.

Operation

To facilitate the strategic development of the Company, enhance its operation efficiency and core competitiveness and improve its management and decision-making procedures, the Board transformed the predecessor executive committee into a strategy executive committee (the "Strategy Executive Committee") on 23 October 2014 with specific written terms of reference.

Currently the Strategy Executive Committee comprises 3 executive directors, namely Mr. BO Lianming (Chairman), Mr. YAN Xiaolin and Ms. XU Fang.

Board Committees

In 2016, the Board had four Board Committees. The four committees under the Board are the Strategy Executive Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee, all with specific terms of reference, to oversee particular aspects of the Group's affairs.

Attendance of the relevant members of the Board Committee at the meetings of the committees in 2016 is as follows:

	Strategy Executive Committee Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings
Executive Directors				
Mr. BO Lianming	1/1	N/A	N/A	N/A
Mr. YAN Xiaolin	1/1	N/A	N/A	N/A
Ms. XU Fang	1/1	N/A	2/2	N/A
Non-executive Directors				
Mr. HUANG Xubin	N/A	5/5	N/A	N/A
Independent non-executive Directors				
Dr. TSENG Shieng-chang Carter	N/A	4/5	2/2	1/1
Professor SO Wai Man Raymond	N/A	5/5	2/2	1/1
Mr. TANG Guliang	N/A	N/A	1/1	1/1
Professor WANG Yijiang	N/A	5/5	1/1	N/A

Nomination Committee

The Nomination Committee currently comprises 3 members, namely Professor WANG Yijiang, Dr. TSENG Shieng-chang Carter and Professor SO Wai Man Raymond, all being independent non-executive directors. Professor WANG Yijiang is the chairman of the Nomination Committee. Mr. TANG Guliang was a member of the Nomination Committee until his resignation with effect from 1 February 2016. The Nomination Committee held 1 meeting during 2016.

The Nomination Committee is governed by its terms of reference, which are closely aligned with the relevant Code Provisions requirements and are available at both the Company's website http://multimedia.tcl.com and Hong Kong Stock Exchange's website http://www.hkex.com.hk.

The main duties of the Nomination Committee include the following:

- review and supervise the structure, size and composition of the Board;
- identify qualified individuals to become members of the Board;
- assess the independence of the independent non-executive directors;
- make recommendations to the Board on the appointment, re-appointment and succession planning of directors, and any proposed change to the Board to implement the Company's corporate strategy;
- review the board diversity policy ("Board Diversity Policy");
- review the sufficiency of time commitment of Directors to perform their responsibilities.

The work performed by the Nomination Committee during 2016 included:

- reviewing policy for nomination of directors;
- reviewing the current Board structure, diversity and composition;
- considering the nomination of Professor WANG Yijiang as an Independent non-executive director with effect from 1 February 2016;
- considering the nomination of Mr. Winston Shao-min CHENG and Mr. Abulikemu ABULIMITI as independent non-executive directors with effect from 11 May 2016;
- assessing the independence of all independent non-executive directors;
- reviewing the contribution required from a director to perform his/her responsibilities and whether he/she has spent sufficient time performing them; and
- reviewing the training and continuous professional development of directors.

The Nomination Committee has performed all these main duties in 2016.

The Nomination Committee adopted the following procedures for nomination of directors, the details of which are set out below:

1. When there is a vacancy in the Board, the Nomination Committee evaluates the balance of skills, knowledge and experience of the Board, and identifies any special requirements for the vacancy (e.g. independence status in the case of an independent non-executive director).

2. Prepare a description of the role and capabilities required for the particular vacancy.

3. Identify a list of candidates through personal contacts or recommendations by Board members, senior management, business partners or investors.

4. Arrange interview(s) with each candidate for the Board to evaluate whether he/she meets the established written criteria for nomination of directors. One or more members of the Board will attend the interview.

5. Conduct verification on information provided by the candidate.

6. Make recommendations to the Board on the appointment or re-appointment of directors.

The Nomination Committee adopted the following criteria for nomination of directors:

1. Common criteria for all directors:

   (a) Character and integrity
   (b) The willingness to assume broad fiduciary responsibility
   (c) Present needs of the Board for particular experience or expertise and whether the candidate would satisfy those needs
   (d) Relevant experience, including experience at the strategy/policy setting level, high level managerial experience in a complex organization, industry experience and familiarity with the products and processes used by the Company
   (e) Significant business or public experience relevant and beneficial to the Board and the Company
   (f) Breadth of knowledge about issues affecting the Company
   (g) Ability to objectively analyse complex business problems and exercise sound business judgement
   (h) Ability and willingness to contribute special competencies to Board activities
   (i) Fit with the Company's culture

2. Criteria applicable to non-executive directors/independent non-executive directors

   (a) Willingness and ability to make a sufficient time commitment to the affairs of the company in order to effectively perform the duties of a director, including attendance at and active participation in Board and committee meetings
   (b) Accomplishments of the candidate in his/her field
   (c) Outstanding professional and personal reputation
   (d) The candidate's ability to meet the independence criteria for directors established in the Listing Rules

Board Diversity Policy

The Company has adopted the Board Diversity Policy on 13 August 2013 which sets out its approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board.

The Company recognizes the benefits of Board diversity and endeavours to ensure that the Board has the appropriate balance and level of skills, experience and perspectives required to support the execution of its business strategies. The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Company will also take into consideration factors based on its own business model and specific needs from time to time in determining the optimum composition of the Board.

The Board has set measurable objectives (in terms of gender, skills and experience) to implement the Board Diversity Policy and review such objects from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time.

The Nomination Committee considers that the current composition of the Board is characterised by diversity after taking into account its own business model and specific needs, whether considered in terms of professional background and skills.

Remuneration Committee

The Remuneration Committee currently comprises 4 members, namely Dr. TSENG Shieng-chang Carter, Ms XU Fang, Professor SO Wai Man Raymond and Professor WANG Yijiang, the majority of whom are independent non-executive directors. Dr. TSENG Shieng-chang Carter is the chairman of the Remuneration Committee. Mr. TANG Guliang was a member of the Remuneration Committee until his resignation with effect from 1 February 2016.

The Remuneration Committee is governed by its terms of reference, which were revised by the Board on 24 February 2012. The terms of reference are made available on the Company's website http://multimedia.tcl.com and Hong Kong Stock Exchange's website http://www.hkex.com.hk.

The Remuneration Committee was established on 16 April 2005 pursuant to Rule 3.25 of the Listing Rules. It meets from time to time to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management, and on the establishment of a formal and transparent procedure for developing policy on such remuneration. The Remuneration Committee also reviews and approves the performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time, and determines, with delegated responsibility, the remuneration packages of individual executive directors and senior management.

During 2016, the Remuneration Committee accomplished the following:

- reviewing the emolument policy and the levels of remuneration paid to the directors and senior management of the Group;
- assessing the performance of executive directors;
- approving the terms of executive directors' service contracts;
- determining the remuneration packages of the individual directors, chief financial officer and certain senior management;
- approving the salary incentive adjustments of certain senior management of the Group; and
- formulating new framework for determining the remuneration package in the coming year

The human resources department provides administrative support and implements the approved remuneration packages and other human resources related decisions approved by the Remuneration Committee.

Emolument Policy and Long-Term Incentive Plan

To attract and retain talent and calibre, the Company provides a competitive remuneration package to its executive directors and senior management. This comprises base monthly salary, guaranteed cash benefits and allowances, special allowances, variable pay, long-term incentive plan which includes share option scheme and Award Scheme. The amount of variable pay is set at a percentage of the fixed pay, and is paid half-yearly or yearly relative to performance delivered through plans and objectives which have pre-determined criteria and standards. Long-term incentive plan primarily consists of share options to subscribe for the shares of the Company and shares of the Company purchased by trustee under the Award Scheme respectively. Please refer to the Company's announcements dated 6 February 2008 and 25 June 2015 and circulars dated 20 March 2008 and 27 July 2015 respectively for details of the Award Scheme. The emoluments payable to the directors are determined with reference to their duties and responsibilities with the Company and the market rate for the positions.

The remuneration package of executives is designed so that a proportion is structured to link rewards to corporate and individual performance, and gives incentives to executives to perform at the highest levels. Through job evaluation and job matching, the Group ensures the pay is internally equitable. Besides, the Group ensures external competitiveness of the pay through reference to market survey and data.

The non-executive directors' compensation relates to the time commitment and responsibilities. They receive fees which comprise the following components:

- directors' fee, which is usually paid annually; and
- share options or restricted shares which are awarded subject to the discretion of the Board.

The fees and any other reimbursement or emolument payable to the directors by band and senior management are set out in note 8 to the financial statements.

Audit Committee

The Audit Committee currently comprises 4 members, namely Professor SO Wai Man Raymond, Mr. HUANG Xubin, Dr. TSENG Shieng-chang Carter and Professor WANG Yijiang. Professor SO Wai Man Raymond is the chairman of the Audit Committee. Mr. TANG Guliang was the chairman and a member of the Audit Committee respectively until his resignation with effect from 1 February 2016.

The Audit Committee usually meets 4 times a year to review the Company's quarterly, interim and annual results and the integrity of the Group's financial statements. In addition, to review and monitor the effectiveness of the audit process in accordance with applicable standards, the Audit Committee will meet with the external auditor before the annual audit commences to discuss the nature and scope audit and reporting obligations of the Company.

The Audit Committee is governed by its terms of reference The terms of reference are made available on the Company's website http://multimedia.tcl.com and Hong Kong Stock Exchange's website http://www.hkex.com.hk.

The Audit Committee meetings are normally attended by the Company's chief financial officer. When meetings concern the routine finance control, the head of the internal control department of the Company also attends the meeting to report on the problems identified during the internal control audits and recommendation of methods to alleviate and solve the problems identified. The external auditor is often present on discussion of the audit of financial results and audit planning.

The work performed by the Audit Committee during 2016 included consideration of the following matters:

- the completeness and accuracy of the 2015 annual and 2016 quarterly and interim financial statements;
- the Company's compliance with statutory and regulatory requirements;
- developments in accounting standards and the effect on the Company;
- review of the effectiveness of the systems of internal control and risk management of the Group;
- the internal control reports submitted by the internal audit department of the Company;
- the management letter prepared by the external auditor;
- the audit fees payable to external auditor, the scope and timetable of the audit for year 2016;
- recommendations to the Board, for the approval by shareholders, for the reappointment of Messrs. Ernst & Young as the external auditor, which the Board agreed and accepted;
- reviewed risk management system;

- reviewed the financial reporting system; and
- discussed on the intended reformation of internal financial system conducted or to be conducted by the Group.

The Audit Committee has been advised that it may seek independent professional advice at the expense of the Company wherever necessary. The Audit Committee is also supported by the staff of internal audit department and the external auditor.

The Audit Committee recommended to the Board that, subject to shareholders' approval at the forthcoming AGM, Messrs. Ernst & Young be re-appointed as the Company's external auditor for 2017.

Strategy Executive Committee

The Board established the Strategy Executive Committee on 23 October 2014 with specific written terms of reference. The Board has delegated responsibilities to the Strategy Executive Committee for making certain decisions for the management of the Group.

The role and function of the Strategy Executive Committee has been better described in the former section "Delegation by the Board – Operation" under this corporate governance report.

In accordance with its terms of reference, members of the Strategy Executive Committee shall be appointed by the Board from amongst the executive directors and senior management of the Company only.

Currently the Strategy Executive Committee comprises 3 executive directors, namely Mr. BO Lianming (Chairman), Mr. YAN Xiaolin and Ms. XU Fang.

The work completed by the Strategy Executive Committee during 2016 included consideration of the following matters:

- approval of any routine matters or matters concerning day-to-day operation of the Group;
- formulating for the Board's review the Group's overall corporate governance policy and investor relation policy;
- implementing the annual business plan, operating and capital expenditure budgets of the Company as approved by the Board; and
- implementing the strategic plans and long-term objectives as approved by the Board.

CORPORATE GOVERNANCE FUNCTION

The work completed by the Board during 2016 as part of its corporate governance function included the following:

- reviewed the Company's policies and practices on corporate governance;
- reviewed and monitored the training and continuous professional development of directors and senior management;
- reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements;
- reviewed and monitored the code of conduct applicable to employees and directors; and
- reviewed the Company's compliance with the code and disclosure in this corporate governance report.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board aims to present a balanced, clear and understandable assessment in annual and interim reports, inside information announcements and other financial disclosures required under the Listing Rules and other regulatory requirements.

The directors have acknowledged their responsibility for the preparation of the accounts for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period.

The statement by the auditor of the Company regarding its reporting responsibilities on the financial statements of the Group is set out in the “Independent Auditor’s Report” on pages 97 to 102.

The directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and hence decide that it is appropriate to prepare the financial statements set out on pages 103 to 207 on a going concern basis. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern.

The basis on which the Company generates or preserves value over the longer term and the strategy for delivering its objectives are explained in the “Managerial Discussion and Analysis” set out in pages 16 to 29 in this report.

The management provides the Board with sufficient explanation and information, such as the Group’s major business activities and key financial information, to enable the Board to make an informed assessment of the financial information and position of the Company before putting to the Board for approval.

The Management also provides all directors with monthly updates giving them a balanced and understandable assessment of the Company’s performance, position and prospects in sufficient detail to enable the Board as a whole and each director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules.

Risk Management and Internal Controls

The Board is responsible for ensuring that an effective risk management and internal control system is maintained within the Group. The directors acknowledge their responsibility to establish, maintain and review from time to time the effectiveness of the Group's system of risk management and internal controls. During the year, the directors, through the Audit Committee, have reviewed the effectiveness of all material aspects of the risk management and internal control system of the Group, including the identification and monitoring of risks, the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

The Company has adopted a set of risk management and internal control policies and procedures to identify, evaluate and properly manage significant risks, safeguard the Group's assets, to ensure proper maintenance of accounting records and reliability of financial reporting, and to ensure compliance with relevant legislation and regulations by regularly reviewing the Group's internal operations and investigating into complaints made internally following guidelines developed internally and implementing disciplinary actions for non-compliance incidents accordingly.

The Company has assigned different geographical locations in which the Group carries out its business with different risk profile and set different priorities and coverage for its internal control, risk management and internal audit work to be carried out in these locations, which enhances the cost-effectiveness of the Group's internal control, risk management and internal audit work. Such systems are designed to manage rather than eliminate the risk of failure to achieve its business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board acknowledges that it is responsible for the risk management and internal control systems and reviewing their effectiveness.

Certain executive directors and senior management have been delegated with respective level of authorities and have specific responsibility for monitoring the performance of business operating units. Annual budgets of the Group and quarterly financial reports have been provided to the Strategy Executive Committee of the Board.

Each year, the Audit Committee reviews the findings made by the external auditor in respect of issues encountered by them in preparation of the independent auditor's report, which often cover issues relating to internal control. The Audit Committee also reviews the risk management and internal control report submitted by the Company's internal audit department. The Audit Committee will then review the actions performed or the plans to be carried out by the management in addressing the issues. The issues identified and the corresponding remedial plans and recommendations are then submitted to the Board for consideration.

The Company's internal audit department independently reviewed the effectiveness of the risk management and internal control systems, including financial, operational and compliance, in the key activities of the Company's business. The head of the Company's internal audit department reports to the Audit Committee, and submits regular reports for its review in accordance with the approved review and audit mechanisms. The department submits a detailed report at least once a year to the Board for its review and monitors the effectiveness of the systems of internal control and risk management of the Group. In case any material internal contract defect is discovered, the Board would require reports on the cause of and proposed solution for remedying the defect be submitted by the internal control department and follow up with the defect until it is resolved.

For the year of 2016, no significant risk or critical internal control issues have been identified.

The Audit Committee has reviewed the effectiveness of the Group's internal control and risk management systems and is of the opinion that the resources for and qualifications of staff of the Company's accounting and financial reporting function are adequate and effective. Based on information furnished to it and on its own observations, the Audit Committee is satisfied with the adequacy and effectiveness of the internal control systems of the Group.

The Company has procedures and internal controls for the handling and dissemination inside information. The Group strictly prohibits unauthorised use of inside information. The Group strives to identify inside information and any information which may potentially constitute inside information at the earliest practicable opportunity, which is then assessed and escalated to the Board for decision on the need for disclosure. Inside information and other information which is required to be disclosed pursuant to the Listing Rules and the Securities and Futures Ordinance (Cap. 571) will be disclosed in accordance with all applicable requirements in due course. Inside information would be kept strictly confidential until such disclosure.

Connected Transactions:

The Company is committed to ensuring compliance with regulatory requirements under the Listing Rules, applicable laws and regulations in handling connected transactions. Accordingly, the Company implemented various internal control mechanisms to capture and monitor connected transactions to ensure that connected transactions are conducted under normal commercial terms or on terms that are fair and reasonable and properly disclosed and (if necessary) approved by the independent shareholders in accordance with Listing Rules. The connected persons will be required to abstain from voting in the general meetings. Details of the connected transactions of the Company during the year are set out in the Directors' Report.

Auditor's Remuneration

For the year under review, the remuneration paid for services provided by the auditor is roughly as follows:

Statutory audit services	HK$9,500,000
Non-audit services (which include taxation compliance, agreed upon procedures and other audit services)	HK$1,058,000
Continuing connected transactions	HK$480,000

COMPANY SECRETARY

The position of company secretary was held by Ms. PANG (resigned with effect from 13 August 2016) and subsequently Ms. CHOY (appointed with effect from 13 August 2016). Each of them is a practising solicitor of Hong Kong who is not an employee of the Company. The company secretary can contact the Company through the financial controller of the Company, Mr. SIN Man Lung. The company secretary is responsible to the Board and reports to the chairman of the Board from time to time. All directors have access to the advice and services of the company secretary to ensure that board procedures, and all applicable laws, rules and regulations are followed.

Each of Ms. PANG and Ms. CHOY is required to take no less than 15 hours of relevant professional training during the year 2016. They have fulfiled the requirement during the year under review.

INVESTOR RELATIONS PROGRAMS

The Group recognize the importance of the principles of information disclosure with regard to timeliness, fairness and transparency, and ensure that the information disclosure is in compliance with the Listing Rules and other regulatory requirements. We also highly value investor feedback and comments for establishing operational strategies to facilitate the Group’s growth, ensure its sustainable development and enhance shareholder value.

The objectives of our investor relations programs are to promote effective communication with the investment community through various channels to enhance their knowledge and understanding of the Group’s development and strategies. Investor meetings, conference calls, and non-deal roadshows are regularly organized by the investor relations team to have an in-depth discussion on the Group’s latest developments and future business plans with institutional investors and analysts. We also actively participate in global investor conferences and forums in Hong Kong, Macau, Shenzhen, Xiamen, Beijing, Japan, Taiwan, Singapore and Las Vegas, the U.S. to strengthen communication with overseas investors.

Since April 2001, the Group has voluntarily commenced releasing monthly shipment data for its products. Other corporate information including interim and annual reports, announcements and press releases are disseminated after release through the Company’s website on a timely basis. The Group also holds press and analyst conferences at least twice a year following the interim and annual results announcements to maintain an effective two-way communication.

The Group regards annual reports as its important communication channel with investors and highly values the contents and production of its annual reports in an endeavor to enhance corporate transparency and provide accurate information to investors and stakeholders.

The Group has been honored for its 2015 annual report with the “Bronze Award” under the category of Traditional Annual Report: Global Consumer Products at The International Annual Report Competition (ARC) Awards and a “Honors Award” under the category of Annual Reports – Print: Electronic Manufacturing at the Galaxy Awards 2016. The high standard of investor relations and corporate disclosure achieved significant market recognitions.

Key Investor Relations Events in 2016:

Month	Events	Location
January	Participated in investor conference (organized by UBS)	Las Vegas
	EGM	Hong Kong
February	Hosted a non-deal road show (organized by CICC)	Singapore
March	Tea gathering with media	Hong Kong
	Participated in investor conference (organized by UBS)	Hong Kong
	Tea gathering with stock commentators	Hong Kong
	Participated in investor conference (organized by Bank of America Merrill Lynch)	Taipei
	Participated in investor conference (organized by JP Morgan)	Hong Kong
	2015 annual results announcement (press conference and analyst briefing)	Hong Kong
	Hosted a non-deal road show (organized by CICC)	Hong Kong and Beijing
April	Hosted a non-deal road show (organized by CCBI)	Hong Kong
	Hosted a non-deal road show (organized by UOB Key Hien)	Hong Kong
	Spring New Product Launch Event	Shenzhen
	2016 1st quarter results announcement (investor & media teleconferences)	Shenzhen
	Hosted a non-deal road show (organized by JP Morgan)	Hong Kong
May	Participated in investor conference (organized by Macquarie)	Hong Kong
	Participated in investor conference (organized by CICC)	Shenzhen
	Participated in investor conference (organized by BNP)	Shenzhen
	2016 AGM	Hong Kong
	Participated in investor conference (organized by SWS)	Xiamen
June	Participated in investor conference (organized by JP Morgan)	Beijing
	Participated in investor conference (organized by UBS)	Hong Kong
	Tea gathering with media	Hong Kong
July	Hosted a non-deal road show (organized by Okasan Securities)	Hong Kong
	EGM	Hong Kong
August	2016 interim results announcement (press conference and analyst briefing)	Hong Kong
	Hosted a non-deal road show (organized by JP Morgan)	Hong Kong
	Hosted a non-deal road show (organized by BOCOM)	Hong Kong
	Hosted a non-deal road show (organized by CCBI)	Hong Kong
	Hosted a non-deal road show (organized by CICC)	Taipei
	Hosted a non-deal road show (organized by Okasan Securities)	Japan
September	Tea gathering with stock commentators	Hong Kong
	Autumn New Product Launch Event	Guangzhou

Month	Events	Location
October	2016 3rd quarter results announcement (investor & media teleconferences)	Shenzhen
	Hosted a non-deal road show (organized by JP Morgan)	Hong Kong
	Hosted a non-deal road show (organized by CCBI)	Hong Kong
November	Participated in investor conference (organized by Citi)	Hong Kong and Macau
	Hosted a non-deal road show (organized by Okasan Securities)	Hong Kong
	Hosted a non-deal road show (organized by BNP)	Singapore
	Hosted a non-deal road show (organized by UOB Kay Hien)	Singapore
	Participated in investor conference (organized by JP Morgan)	Hong Kong
	Tea gathering with media	Hong Kong
	Hosted a non-deal road show (organized by UBS)	Taipei
December	EGM	Hong Kong
	Participated in investor conference (organized by China Securities)	Shenzhen

All published information, including all the statutory announcements, press releases and event calendars, is promptly posted on the Company's website at http://multimedia.tcl.com. For inquiries and suggestions, please send an email to ir@tclhk.com or hk.ir@tcl.com or directly by raising questions at the shareholder meetings of the Company.

The general meetings of the Company provide the best opportunity for communication between the Board and the shareholders. The Company complied with the required notice periods for general meetings under the applicable laws, rules and regulations.

The chairman of the Board and chairman of the Remuneration Committee, Nomination Committee and Audit Committee or, in their absence, other members of the respective committees and, where applicable, the independent Board committee, are available to answer questions at the shareholders' meetings.

The external auditor of the Company, Messrs. Ernst & Young also attended the AGM held on 18 May 2016 to answer questions about the conduct of the audit, the preparation and content of the independent auditor's report, the accounting policies and auditor independence.

Voting by Poll

The Company expresses in each relevant corporate communication that the shareholders shall vote by poll so as to allow the shareholders to have one vote for every share of the Company held. The chairman of the meeting would explain the voting procedure and answer any questions from the shareholders regarding voting in poll in the general meetings. The poll voting results of the general meetings were published on the websites of the Hong Kong Stock Exchange and the Company respectively on the same day after the general meetings were held.

Shareholders' Rights to Convene an EGM

Under Article 72 of the Articles, shareholders at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to require an EGM to be called by the Board for the transaction of any business specified in such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Communication with Shareholders and Procedures for Putting Forward Proposals at General Meetings

A shareholders communication policy was formulated and adopted on 24 February 2012 in order to ensure the shareholders are provided with ready, equal and timely access to balanced and understandable information about the Company. The Board has taken appropriate steps to provide effective communication with shareholders.

All published information, including all the statutory announcements, press releases and event calendars, is promptly posted on the Company's website at http://multimedia.tcl.com. Shareholders can also send enquiries and proposals putting forward for shareholders' consideration at shareholder meetings to the Board or senior management.

Investors can submit enquiries to management by sending emails to ir@ tclhk.com or hk.ir@tcl.com or directly by raising questions at the general meetings of the Company. The Company's dedicated investor relations team takes a proactive approach to communicate with existing and potential investors in a timely manner by making regular face-to-face meetings and conference calls with investors.

Constitutional Documents

In 2016, no amendment had been made to the memorandum and Articles.

Conclusion

Going forward, the Company will continue to work diligently to maintain the highest level of corporate transparency possible. The timely disclosure of relevant corporate information includes annual and interim reports, statutory announcements, corporate presentation and press releases are available on the Company's website http://multimedia.tcl.com. Enquiries and proposals to be put forward at shareholder meetings can also be sent to the board or senior management by contacting the investor relations department via e-mail to ir@tclhk.com or hk.ir@tcl.com, or directly through the questions and answers session at shareholder meetings or press conference.

HUMAN RESOURCES

In 2016, the Group continued to focus on the theme of "the year of Structure and Efficiency" and carried out a series of human resource management initiatives to provide direct and effective support for the Group's strategy, enhancement of organizational performance and employee development.

1. Basic Profile of Human Resources

As at 31 December 2016, the total number of employees was 23,616, approximately 5.6% of the employees were employed outside of Mainland China. The distribution is as follows:

Mainland China	22,285
Asian countries other than Mainland China (including Hong Kong and Australia)	555
North America (including Mexico)	378
Europe	366
Australia	32

2. Focus on Human Resources

In order to support the development strategy, the Group endeavors to continuously optimize the talent structure, increase talent efficiency, and has adopted a series of measures for enhancing assessment and incentive, introducing talents and facilitating talent development as follows:

– Based on the requirement of the 3053 strategies, the Group further strengthened connection between various levels of the Company staff and the Company's overall performance through putting the key resources for optimizing comprehensive remuneration incentive system and focusing on incentive, so as to support the achievement of business objectives. Through long-term incentive approach, retention and motivation of outstanding talents can be enhanced. Meanwhile, the Company further strengthened results-oriented performance, strived to push forward and improved performance management system and process, as well as promoted all efforts to improve results in 2016.

– Based on the "double +" strategy and the human resources philosophy of "Vision-driven Talents, Talents-driven Strategies", the Group established the organizational objectives of "Devote efforts to build a stable and agile organization for motivating individuals, facilitating efficient operation and promptly respond to users' needs and market changes". With the principle of talent value of "We need to partner with individuals with the spirit of innovation, trustworthy, capable of delivering results and share profits", we are business-oriented, actively expanded human resources recruitment channels by combining various approaches for diversified talent introduction, enhanced establishment of recruitment system and improved the occupational capability of the recruitment team. In 2016, the Group recruited over 200 employees, including internet management, financial management and overseas business management. Meanwhile, we strengthened the technological capability of the technological innovation talents, actively recruited a total of 67 R&D experts and software development professionals.

– With the focus on the objective of "Running the organization, Motivating individuals", the Group fully implemented talent review, vigorously promoted talent mobility, boldly promoted and appointed outstanding young talents. We provided training for new middle and low level management and solidified management foundation to support rapid growth of the new management force. In addition, in accordance with the Group's need for transformation and change, we created talents with a change in job nature, enhanced transformation of backbone staff and users-oriented awareness. Based on the Group's strategic need for talent, we further initiated management trainee projects and product managers chain practical projects, explored approaches to promote the capability of middle management, centralise training of overseas leaders and manage the training projects of backup talent in order to meet the current needs of business development while looking to the future long-term development.

SOCIAL RESPONSIBILITY:

In the past year, the Group continued to focus on social responsibility and contributed to the society with action as well as continued to actively organize and participate in educational support, public charity activities and school-enterprise cooperation.

1. Focus on Education – Hua Min Fund (華萌基金)

Mr. LI Dongsheng, the chairman of the Group, attaches great importance to education as he considers education is the foundation for building and strengthening our nation. As early as 2007, he founded "Hua Min Fund" with his spouse WEI Xue (魏雪). Hua Min Fund is the first fund dedicated to entrepreneur under China Youth Development Foundation and is committed to supporting the development of Chinese education with an aim to ensure that junior high graduates for conduct and performance excellence in poverty-stricken areas can successfully complete senior high school level studies and enter into universites. Under Hua Min Fund, subsidy of tuition and living of RMB8,000 is provided to each of 50 senior high school students in "Hua Min Class" every year, and "Hua Min Scholarship for College Learning" of RMB23,000 is awarded to each of the top ten students with the highest scores in the comprehensive quality assessment of "Hua Min Class" every year. It also started Hua Min 5010 Scheme for providing university students of Hua Min with Internship subsidy and entrepreneurial support. In addition, Hua Min Fund promoted the overall quality of students and faciliated their all-round growth with innovative supporting programs including "Hua Min Star Classroom", "Hua Min Summer Camp" and "Graduate Farewell Party".

2. TCL Foundation

As an entrepreneur with a high sense of social responsibility, Mr. LI Dongsheng, the chairman of the Group founded Shenzhen TCL Foundation in June 2012. TCL Foundation is the first private foundation established by an enterprise in the industry of consumer electronics in the PRC. It is dedicated to the three public sectors undertakings of fundamental education assistance, disaster assistance and care for people with special needs by upholding the value of "Seeking Public Interest and Promoting Social Progress" and the principle of "Creating Educational and Growth Opportunities for the Disadvantaged, Seeking Community Welfare and Environmental Sustainable Development". In 2016, expenditure on public welfare undertakings of TCL Foundation amounted to RMB35,585,800 for charity projects such as TCL Hope Project Candlelight Award.

3. Mutual Aid Fund for Employees

In order to build an internal mutual aid platform of caring for others and poverty alleviation by relieving distress and poverty for employees in adversities as well as boosting team spirit, humanistic spirit and the people-oriented enterprise culture of "Assistance in Adversity, Mutual-help with Love", the Group has specially set up Mutual Aid Fund for Employees, as advocated and donation supported by Independent Non-executive Director, Dr. TSENG Shieng-Chang Carter and others. Established in August 2012, Mutual Aid Fund for Employees is a self-managed organization formed by employees under the Company's Union Association and is dedicated to assisting employees or families suffering from serious illness or major disasters. Since its establishment, Mutual Aid Fund for Employees has been rendering assistance to such employees with a total amount of RMB310,000 in 2016.

In addition, Mutual Aid Fund for Employees has also fulfilled corporate social responsibility by sponsoring student financial support program "Caring For Tomorrow" for four consecutive years, with the cumulative amount of RMB800,000. Meanwhile, volunteers were invited to participate in the sponsorship activities of "Caring For Tomorrow" in poverty-stricken mountain areas and former revolutionary base regions in Jingxi and Lingyun (of Guangxi Province) and Chengdu. Follow-up activities of the program will continue on an on-going basis.

4. School-enterprise Cooperation

The Group has established close and lasting strategic partnership with universities in the PRC and Hong Kong. With the aim to provide a platform of vocational skills and practice as well as discover and cultivate talents for universities, the Group continued to cooperate with renowned universities in the Mainland in establishing "TCL Club", which provides a platform and opportunities for university students for enhancing their capabilities and career development with the theme "Growth, Happiness and Sharing". Mr. LI Dongsheng, the chairman of the Group, was appointed as Honorary Professor of Beijing Institute of Technology and delivered keynote speech with the theme "Facing challenges with determination and toughness". The Group launched innovative entrepreneurship education for students with an aim to serve as a platform for school technology research and industrialization with its industrial projects, contributing to Industry-University R&D Collaboration. At the same time, the Group cooperated with the Hong Kong Science Park and participated in the "2016 Science Park Career Expo" for recruitment of science and innovation talents.

In order to help universities to gain better understanding of the enterprise and make early preparation for students' employment training, the Group launched "TCL OPEN DAY" in which teachers and students of universities were invited to participate in a site visit to gain understanding of the enterprise through visits, seminars and dialogues with employed students. As part of the Group's strategic talents reserve program, our Supporting Program (「助飛計劃」) for university graduates has connection with leading universities around the world. We conducted seminars in many renowned universities in North America, Hong Kong and China, aiming to select the outstanding talents with a business mind, development potential, determination to succeed and leadership potential among fresh graduates. Developing a personalized training program for university graduates in the early stages of entering into the workplace will lay a solid foundation for them to become experts and management talents in the future.

Report of the Directors

The directors are pleased to present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 1 to the financial statements. There was no significant change in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2016 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 103 to 207.

The directors do not recommend the payment of any dividend in respect of the year (31 December 2015: Nil).

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 208. This summary does not form part of the audited financial statements.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 17 May 2017, Wednesday to 23 May 2017, Tuesday (both dates inclusive), for the purposes of determining the entitlements of the shareholders of the Company to attend and vote at the AGM. No transfer of the shares may be registered during the said period. In order to qualify to attend and vote at the AGM, 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 16 May 2017, Tuesday.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2016 is set out in the section headed "Management Discussion and Analysis" on pages 16 to 29 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

SHARE CAPITAL, SHARE OPTIONS AND AWARD SCHEME

Details of movements in the Company's share capital (including issue of shares by the Company), share options and Award Scheme during the year, together with the reasons therefore are set out in note 32 to the financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles or the laws of the Cayman Islands ("Cayman Law") which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 39 to the financial statements and the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2016, the Company had an aggregate of HK$4,633,314,000 standing to credit of its share premium account and HK$738,936,000 standing to the credit of its capital reserve account. As the aforesaid capital reserve represents a premium arising on an issue of shares of the Company, the entire amount of HK$738,936,000 standing to the credit of the capital reserve account of the Company will be transferred to the share premium account in compliance with the Articles and Cayman Law. Subject to compliance with certain requirements under Cayman Law, the share premium may be applied for payment of dividend by the Company. After transfer of the capital reserve as aforesaid, the amount which can be utilised for payment of dividend by the Company in future would be HK$5,372,250,000.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totaling HK$730,000.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases

– the largest supplier	30%
– the five largest suppliers combined	52%

Sales

– the largest customer	8%
– the five largest customers combined	22%

None of the directors of the Company, their associates or shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers, except those disclosed in note 37(a) to the financial statements.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:
Mr. LI Dongsheng
Mr. BO Lianming
Mr. YAN Xiaolin
Ms. XU Fang

Non-executive directors:
Mr. Albert Thomas DA ROSA, Junior
Mr. HUANG Xubin
Mr. Winston Shao-min CHENG (appointed as a non-executive director with effect from 11 May 2016)
Mr. Abulikemu ABULIMITI (appointed as a non-executive director with effect from 11 May 2016)

Independent non-executive directors:

Mr. TANG Guliang (resigned as an independent non-executive director with effect from 1 February 2016)
Mr. Robert Maarten WESTERHOF
Dr. TSENG Shieng-chang Carter
Professor SO Wai Man Raymond
Professor WANG Yijiang (appointed as an independent non-executive director with effect from 1 February 2016)

In accordance with Article 116 of the Articles, at each AGM, not less than one-third of the directors for the time being shall retire from office by rotation and, under the corporate governance code adopted by the Company, every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every 3 years. All retiring Directors shall be eligible for re-election.

Accordingly, Mr. BO Lianming, Ms. XU Fang, Mr. HUANG Xubin and Mr. Robert Maarten WESTERHOF shall retire from office by rotation at the conclusion of the AGM. All of them, being eligible, will offer themselves for re-election at the AGM.

REMUNERATION OF DIRECTORS, SENIOR MANAGEMENT AND THE FIVE HIGHEST PAID EMPLOYEES

The Company has received from each of its independent non-executive directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive directors to be independent.

Particulars of the remuneration of the directors and the five highest paid employees (including senior management) during the financial year are set out in notes 8 and 9 to the financial statements, respectively.

EMOLUMENT POLICY AND LONG-TERM INCENTIVE SCHEMES

Please refer to the Corporate Governance Report contained on pages 45 to 71 of this annual report for the Group's emolument policy and long-term incentive schemes, as well as the basis for determining the remuneration payable to the directors.

PENSION SCHEMES

Particulars of the Group's pension schemes are set out in note 2.4 to the financial statements.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 30 to 43 of this annual report.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

None of the directors or their associates had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its subsidiaries, holding companies or fellow subsidiaries was a party during the year.

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

As at 31 December 2016, the interests and short positions of the directors and chief executive in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code were as follows:

(A) Interests in the Company – Long Positions

	Number of ordinary shares held			Number of Underlying shares held under equity derivatives			
Name of Director	Personal interests	Family interests	Other interests (Note 1)	Personal interests	Family interests	Total	Approximate percentage of issued share capital of the Company
LI Dongsheng	37,570,938	4,035,174	134,480	4,797,111	226,535	46,764,238	2.69%
BO Lianming	772,310	–	1,534,414	6,448,245	–	8,754,969	0.50%
YAN Xiaolin	37,700	–	68,508	1,282,453	–	1,388,661	0.08%
XU Fang	280,466	–	999,987	3,714,715	–	4,995,168	0.29%
Albert Thomas DA ROSA, Junior	63,333	–	–	294,410	–	357,743	0.02%
HUANG Xubin	1,122,065	–	71,646	855,732	–	2,049,443	0.12%
Winston Shao-min CHENG	–	–	–	122,630	–	122,630	0.01%
Abulikemu ABULIMITI	–	–	–	122,630	–	122,630	0.01%
Robert Maarten WESTERHOF	30,000	–	–	327,743	–	357,743	0.02%
SO Wai Man Raymond	–	–	–	242,702	–	242,702	0.01%
WANG Yijiang	–	–	–	122,630	–	122,630	0.01%

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

TCL Corporation (Note 2)

Name of Director	Number of ordinary shares held Personal interests	Family interests	Other interests (Note 3)	Number of underlying shares held under equity derivatives	Total	Approximate percentage of issued share capital of TCL Corporation
LI Dongsheng	638,273,688	–	408,899,521	–	1,047,173,209	8.56%
BO Lianming	4,058,801	–	–	–	4,058,801	0.03%
YAN Xiaolin	599,500	–	–	–	599,500	0.005%
HUANG Xubin	3,383,380	–	–	–	3,383,380	0.03%

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

Tonly Holdings (Note 4)

Name of Director	Number of ordinary shares held Personal interests	Family interests	Other interests (Note 5)	Number of underlying shares held under equity derivatives Personal interests	Family interests	Total	Approximate percentage of issued share capital of Tonly Holdings
LI Dongsheng	5,322,791	390,515	51,274	175,111	108,618	6,048,309	2.43%
BO Lianming	28,653	–	–	–	–	28,653	0.01%
YAN Xiaolin	11,830	–	23,661	130,927	–	166,418	0.07%
XU Fang	11,917	–	8,298	45,916	–	66,131	0.03%
Albert Thomas DA ROSA, Junior	5,476	–	–	–	–	5,476	0.002%
HUANG Xubin	16,693	–	24,737	136,883	–	178,313	0.07%
Robert Maarten WESTERHOF	2,142	–	–	–	–	2,142	0.0009%

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

CSOT (Note 6)

Name of Director	Number of ordinary shares held (Note 7)	Approximate percentage of issued share capital of CSOT
BO Lianming	–	0%

Notes:

1. The shares are restricted shares that have been granted to the relevant directors and their associates under the Award Scheme of the Company and were not vested as at 31 December 2016.

2. TCL Corporation, a joint stock company established under the laws of the PRC, is the ultimate controlling shareholder of the Company.

3. The shares are held by Xinjiang Jiutian Liancheng Equity Investment Partnership Enterprise (Limited Partnership) ("Jiutian"). As at 31 December 2016, Mr. LI Dongsheng was a limited partner of Jiutian and held approximately 70.21% shares of Jiutian. Huizhou Dongxu Zhiyue Equity Investment Management Co., Ltd. ("Dongxu") was the general partner of Jiutian and held approximately 0.12% shares of Jiutian, and Mr. LI Dongsheng held approximately 51.00% shares of Dongxu.

4. Tonly Electronics Holdings Limited ("Tonly Holdings") is a subsidiary of TCL Corporation.

5. The shares are restricted shares that have been granted to the relevant directors and their associates under the award scheme of Tonly Holdings and were not vested as at 31 December 2016.

6. CSOT is a subsidiary of TCL Corporation.

7. As at 31 December 2016, Mr. BO Lianming was deemed to be interested in CSOT since he owned Linzhou Star Ripple Venture Capital Partnership (Limited Partnership) ("Star Ripple", formerly known as Tibet Shannan Star Ripple Venture Capital Partnership (Limited Partnership)) as to approximately 59.04% and Star Ripple in turn was interested in CSOT.

Save as disclosed above, as at 31 December 2016, none of the directors and chief executive and their associates had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2016, the interests and short positions of the persons, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

(i) Long positions in shares of the Company:

Shareholder	Capacity	Number of shares held	Percentage of issued share capital of the Company
TCL Corporation	Interest of controlled corporation	904,722,475 (Note 1)	52.10% (Note 2)
JIA Yueting	Interest of controlled corporation	348,850,000 (Note 4)	20.09% (Note 5)
Leshi Internet Information and Technology Corp., Beijing	Interest of controlled corporation	348,850,000 (Note 4)	20.09% (Note 5)
Leshi Zhixin Electronic & Technology Co., Tianjian ("Leshi Zhixin")	Interest of controlled corporation	348,850,000 (Note 4)	20.09% (Note 5)
Letv ZhiXin Investment (HK) Ltd.	Beneficial owner	348,850,000 (Note 4)	20.09% (Note 5)

Notes:

1. TCL Corporation was deemed to be interested in 904,722,475 shares held by T.C.L. Industries, a direct wholly-owned subsidiary of TCL Corporation. The Company has been notified by TCL Corporation that the holding of T.C.L. Industries as at 31 December 2016 was 905,322,475 shares of the Company. However, the increase of such holding did not give rise to any disclosure obligation under the SFO.

2. Such percentage was calculated based on the number of 904,722,475 shares disclosed on the website of the Hong Kong Stock Exchange against the issued share capital of the Company as at 31 December 2016, being 1,736,446,305 shares in issue.

3. The following directors are directors/employees of TCL Corporation who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO:
   (a) Mr. LI Dongsheng is the chairman and chief executive officer of TCL Corporation;
   (b) Mr. BO Lianming is an executive director and president of TCL Corporation;
   (c) Mr. YAN Xiaolin is a senior vice president and the chief technology officer, and the president of TCL Corporate Research of TCL Corporation;
   (d) Ms. XU Fang is a vice president of TCL Corporation; and
   (e) Mr. HUANG Xubin is an executive director and the chief financial officer of TCL Corporation.

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

5. Such percentage was calculated based on the number of 348,850,000 shares disclosed on the website of the Hong Kong Stock Exchange against the issued share capital of the Company as at 31 December 2016, being 1,736,446,305 shares in issue.

Save as disclosed above, as at 31 December 2016, no person, other than the directors and chief executive of the Company whose interests are set out in the section “Directors’ and chief executive’s interests and short positions in shares, underlying shares and debentures” above, had notified the Company of an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

During the financial year ended 31 December 2016, Tonly Electronics Holdings Limited, a specified undertaking of the Company as defined under rule 2 of the Companies (Directors' Report) Regulation (Cap. 622D), has granted restricted shares to grantees who are directors of the Company and spouse of a director of the Company on 29 September 2016 under its restricted share award scheme. It has also granted share options under its share option scheme to grantees who are directors of the Company and spouse of a director of the Company on 30 December 2016. Details are set out as follows:

Grant of restricted shares on 29 September 2016

Name of director/spouse of director	Number of restricted shares
LI Dongsheng	47,468
ICHIKAWA Yuki (spouse of Mr. LI Dongsheng)	29,444
YAN Xiaolin	35,491
XU Fang	12,447
HUANG Xubin	37,105

Grant of share options on 30 December 2016

Name of director/spouse of director	Number of shares to be subscribed under the share option
LI Dongsheng	175,111
ICHIKAWA Yuki (spouse of Mr. LI Dongsheng)	108,618
YAN Xiaolin	130,927
XU Fang	45,916
HUANG Xubin	136,883

Save as disclosed under the heading "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above and under the heading "Share Option Schemes" below, at no time during the year ended 31 December 2016 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or his/her spouse or children under 18 years of age, or were any such rights exercised by them; nor was the Company, or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEMES

New Share Option Scheme

The Company currently operates a share option scheme ("**New Share Option Scheme**") for the purpose of recognising and motivating the contribution of the eligible participants, to provide incentives to them, to help the Group retain the eligible participants and recruit additional employees and to provide them with a direct economic interest in attaining long term business objectives of the Group.

Eligible participants ("**Participants**") of the New Share Option Scheme include any person who is or was (i) an full-time or part-time employee of the Group (including any executive and non-executive director or proposed executive and non-executive director of the Company), adviser, consultant, agent, contractor, client or supplier of any member of the Group or (ii) an employee or officer of any Affiliated Company (as defined below) whom the Board in its sole discretion considers may contribute or have contributed to the Group.

Affiliated Company means TCL Corporation, its subsidiaries and companies which, in accordance with the generally accepted accounting principles in the PRC, are recorded as affiliated companies in the financial statements of TCL Corporation, which shall include any company in which TCL Corporation is directly or indirectly interested in not less than 20% of its issued share capital (or in case such company has no share capital, having a power to exercise or control the exercise of not less than 20% of voting right in its members' meeting).

The purpose of the New Share Option Scheme is to recognise and motivate the contribution of the Participants, to provide incentives to them, to help the Group retain the Participants and recruit additional employees and to provide them with a direct economic interest in attaining long term business objectives of the Group.

The New Share Option Scheme was adopted and became effective on 18 May 2016, upon which the previous share option scheme which was adopted on 15 February 2007 ("**Old Share Option Scheme**") was terminated. Unless otherwise cancelled or amended, the New Share Option Scheme will remain in force for 10 years from the adoption date. The mandate limit ("**Mandate Limit**"), i.e. being the maximum number of shares in respect of which options may be granted under the New Share Option Scheme, as at the adoption thereof was 173,627,254.

The Company may seek approval of the Shareholders in general meetings of the Company to renew the Mandate Limit provided that the Mandate Limit so renewed must not exceed 10% of the number of Shares in issue at the date of the approval of the renewal by the Shareholders.

The maximum number of shares in respect of which options may be granted to any one participant in a 12-month period shall not exceed 1% (0.1% for connected persons) of the issued share capital of the Company. The offer of a grant of share options may be accepted upon payment of a nominal consideration of HK$1.00 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences on a specified date and ends on a date which is not later than ten years from the date of offer of the share options. The subscription price for the shares in respect of which options are granted is determinable by the directors, but may not be less than the highest of (i) the closing price of the Company's shares on the Hong Kong Stock Exchange on the date of offer; (ii) the average closing price of the Company's shares on the Hong Kong Stock Exchange for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the Company's shares.

There is no minimum period for which an option must be held before it can be exercised.

Old Share Option Scheme

Eligible participants of the Old Share Option Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, advisers, consultants, agents, contractors, suppliers of goods or services to the Group, customers of the Group, the Company's shareholders, any non-controlling shareholder in the Company's subsidiaries and any other person whom the Board at its sole discretion considers may contribute or have contributed to the Group.

The purpose of the Old Share Option Scheme is to recognise the contribution of eligible participants, to motivate them by providing incentives to them, to help the Company retain its employees and recruit additional employees and to provide them with a direct economic interest in attaining the long term business objectives of the Company.

The Old Share Option Scheme was terminated on 18 May 2016, upon the adoption of the New Share Option Scheme. No further share options may be granted under the Old Share Option Scheme.

The maximum number of shares in respect of which options may be granted to any one participant in a 12-month period shall not exceed 1% (0.1% for connected persons) of the issued share capital of the Company. The offer of a grant of share options may be accepted upon payment of a nominal consideration of HK$1.00 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences on a specified date and ends on a date which is not later than ten years from the date of offer of the share options. The subscription price for the shares in respect of which options are granted is determinable by the directors, but may not be less than the highest of (i) the closing price of the Company's shares on the Hong Kong Stock Exchange on the date of offer; (ii) the average closing price of the Company's shares on the Hong Kong Stock Exchange for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the Company's shares.

There is no minimum period for which an option must be held before it can be exercised.

(The New Share Option Scheme and the Old Share Option Scheme are collectively referred to as the "**Share Option Schemes**")

Number of Shares to be Issued upon Exercise of Share Options

The total number of shares of the Company that could be issued upon exercise of (i) all outstanding share options whether under the New Share Option Scheme or the Old Share Option Scheme and (ii) all share options that could be granted under the then available Mandate Limit as at 31 December 2016 was 171,049,918 and 159,068,882 shares respectively, which represented about 9.85% and 9.16% of the issued share capital of the Company as at 31 December 2016 respectively.

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

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

The following share options were outstanding under the Share Option Schemes during the year:

	Number of share options									Price of Company's shares	
Name or category of participant	At 1 January 2016	Reclass-ification	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2016	Date of grant of share options	Exercise price of share options HK$	Exercise period of share options	At grant date HK$	At exercise date HK$
Executive directors											
LI Dongsheng	1,325,733	–	–	–	–	1,325,733	5-Jul-11	3.17	Note 1	3.17	N/A
	3,000,634	–	–	–	–	3,000,634	9-Mar-15	4.60	Note 2	4.60	N/A
	270,610	–	–	–	–	270,610	31-Aug-15	3.48	Note 3	3.48	N/A
	–	–	200,134	–	–	200,134	2-Jun-16	4.50	Note 4	4.50	N/A
	4,596,977	–	200,134	–	–	4,797,111					
BO Lianming	446,977	–	–	–	–	446,977	5-Jul-11	3.17	Note 1	3.17	N/A
	6,001,268	–	–	–	–	6,001,268	9-Mar-15	4.60	Note 2	4.60	N/A
	6,448,245	–	–	–	–	6,448,245					
YAN Xiaolin	106,300	–	–	(106,000)	–	300	5-Jul-11	3.17	Note 1	3.17	5.14
	979,912	–	–	–	–	979,912	9-Mar-15	4.60	Note 2	4.60	N/A
	228,651	–	–	(76,000)	–	152,651	31-Aug-15	3.48	Note 3	3.48	5.14
	–	–	149,590	–	–	149,590	2-Jun-16	4.50	Note 4	4.50	N/A
	1,314,863	–	149,590	(182,000)	–	1,282,453					
XU Fang	423,067	–	–	–	–	423,067	5-Jul-11	3.17	Note 1	3.17	N/A
	841,091	–	–	–	–	841,091	9-Mar-15	4.60	Note 2	4.60	N/A
	2,227,596	–	–	–	–	2,227,596	31-Aug-15	3.48	Note 3	3.48	N/A
	–	–	222,961	–	–	222,961	2-Jun-16	4.50	Note 4	4.50	N/A
	3,491,754	–	222,961	–	–	3,714,715					
	15,851,839	**–**	**572,685**	**(182,000)**	**–**	**16,242,524**					
Non-Executive directors											
Albert Thomas DA ROSA, Junior	100,000	–	–	–	–	100,000	5-Jul-11	3.17	Note 1	3.17	N/A
	194,410	–	–	–	–	194,410	9-Mar-15	4.60	Note 2	4.60	N/A
	294,410	–	–	–	–	294,410					

Name or category of participant	Number of share options						Date of grant of share options	Exercise price of share options	Exercise period of share options	Price of Company's shares	
	At 1 January 2016	Reclass-ification	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2016		HK$		At grant date HK$	At exercise date HK$
HUANG Xubin	265,767	–	–	–	–	265,767	5-Jul-11	3.17	Note 1	3.17	N/A
	194,410	–	–	–	–	194,410	9-Mar-15	4.60	Note 2	4.60	N/A
	239,098	–	–	–	–	239,098	31-Aug-15	3.48	Note 3	3.48	N/A
	–	–	156,457	–	–	156,457	2-Jun-16	4.50	Note 4	4.50	N/A
	699,275	–	156,457	–	–	855,732					
Winston Shao-min CHENG*	–	–	122,630	–	–	122,630	2-Jun-16	4.50	Note 4	4.50	N/A
	–	–	122,630	–	–	122,630					
Abulikemu ABULIMITI**	–	–	122,630	–	–	122,630	2-Jun-16	4.50	Note 4	4.50	N/A
	–	–	122,630	–	–	122,630					
TANG Guliang***	194,410	(194,410)	–	–	–	–	9-Mar-15	4.60	Note 2	4.60	N/A
	194,410	(194,410)	–	–	–	–					
Robert Maarten WESTERHOF	133,333	–	–	–	–	133,333	5-Jul-11	3.17	Note 1	3.17	N/A
	194,410	–	–	–	–	194,410	9-Mar-15	4.60	Note 2	4.60	N/A
	327,743	–	–	–	–	327,743					
SO Wai Man Raymond	242,702	–	–	–	–	242,702	31-Aug-15	3.48	Note 3	3.48	N/A
	242,702	–	–	–	–	242,702					
WANG Yijiang****	–	–	122,630	–	–	122,630	2-Jun-16	4.50	Note 4	4.50	N/A
	–	–	122,630	–	–	122,630					
	1,758,540	**(194,410)**	**524,347**	**–**	**–**	**2,088,477**					
Associate(s) of Director(s)											
ICHIKAWA Yuki (WEI Xue) (Spouse of Mr. LI Dongsheng)	102,434	–		–	–	102,434	31-Aug-15	3.48	Note 3	3.48	N/A
	–	–	124,101	–	–	124,101	2-Jun-16	4.50	Note 4	4.50	N/A
	102,434	**–**	**124,101**	**–**	**–**	**226,535**					
Other employees and those who have contributed or may contribute to the Group	3,010,601	–	–	(918,000)	–	2,092,601	5-Jul-11	3.17	Note 1	3.17	4.75
	31,341,080	194,410	–	–	(4,771,404)	26,764,086	9-Mar-15	4.60	Note 2	4.60	N/A
	123,833,467	–	–	(135,091)	(13,399,920)	110,298,456	31-Aug-15	3.48	Note 3	3.48	4.61
	–	–	13,886,087	–	(548,848)	13,337,239	2-Jun-16	4.50	Note 4	4.50	N/A
	158,185,148	**194,410**	**13,886,087**	**(1,053,091)**	**(18,720,172)**	**152,492,382**					
	175,897,961	**–**	**15,107,220**	**(1,235,091)**	**(18,720,172)**	**171,049,918**					

*	Mr. Winston Shao-min CHENG was appointed as a non-executive director of the Company with effect from 11 May 2016.
**	Mr. Abulikemu ABULIMITI was appointed as a non-executive director of the Company with effect from 11 May 2016.
***	Mr. TANG Guliang resigned as an independent non-executive director of the Company with effect from 1 February 2016.
****	Professor WANG Yijiang was appointed as an independent non-executive director of the Company with effect from 1 February 2016.

Notes:

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

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

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

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

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

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

AWARD SCHEME

The Board on 6 February 2008 resolved to adopt the Award Scheme which was amended on 11 August 2015. Pursuant to the Award Scheme, existing shares would be purchased by the Trustee from the market or new shares would be subscribed for by the 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.

CONNECTED TRANSACTIONS

During the year, the Group entered into a number of connected transactions and continuing connected transactions with its connected persons including (i) TCL Corporation (being the ultimate controlling shareholder of the Company) and its subsidiaries (excluding the Group) (being associate(s) (as defined in the Listing Rules) of TCL Corporation) (collectively, the "TCL Group") and associates of TCL Corporation; and (ii) Leshi Zhixin (being the immediate holding company of the substantial shareholder of the Company) and its subsidiaries (collectively, the "Leshi Zhixin Group").

The Group entered into the following connected transactions (other than connected transactions that are exempted under Rule 14A.73 of the Listing Rules) during the year ended 31 December 2016:

On 23 March 2016, pursuant to a shareholder's agreement entered into by Shenzhen Huizhi Internet Technology Investment Co. Ltd. (a wholly-owned subsidiary of the Company), Huizhou Kuyu Network and Technology Co. Ltd. (an associate of TCL Corporation) and Nanchang Changyu Intelligent Technology Co. Ltd., the parties agreed to, among others, invest in Nanchang Huihaitong Network and Technology Co. Ltd. with a total capital of RMB15 million in the proportion of 60%, 10% and 30%, respectively.

On 1 and 2 November 2016, TCL Overseas Electronics (Huizhou) Limited ("TCL Overseas Electronics", a wholly-owned subsidiary of the Company) entered into seven factoring contracts with Chongqing Leshi Commercial Factoring Company Limited ("Chongqing Leshi"), pursuant to which Chongqing Leshi had agreed to provide factoring services from time to time, including but not limited to factoring finance, debt guarantee, recovery and/or management of account receivable(s) to TCL Overseas Electronics subject to the conditions and in accordance with the terms thereof.

On 23 December 2016, TCL King Electrical Appliance (Huizhou) Company Limited ("TCL King Electrical", a wholly-owned subsidiary of the Company) and TCL Intelligence Industry (Huizhou) Company Limited ("TCL Intelligence Industry", a wholly-owned subsidiary of TCL Corporation) entered into a sale and purchase agreement pursuant to which, among others, TCL King Electrical shall sell (i) moulds and equipment, tools, moulds, moulds in progress, tooling fixtures, low value consumables, other office equipment and rights to software usage that are directly relevant to the production of moulds; (ii) rights, obligations, litigation or arbitration, claims and dispute resolutions, etc. and any other matters associated or in connection with the assets mentioned in (i) above; (iii) relevant user instructions, user manuals and maintenance information of the assets mentioned in (i) above; and (iv) any contract(s) and list(s) associated or in connection with the assets mentioned in (i) above entered into between TCL King Electrical and any third party(ies) which was/were not fully executed on completion date to TCL Intelligence Industry subject to and in accordance with the terms and conditions thereof. The transaction was completed on 23 December 2016.

The Group carried out the following continuing connected transactions (other than continuing connected transactions that are exempted under Rule 14A.73 of the Listing Rules) during the year ended 31 December 2016:

(a) Pursuant to the Master TCL Trademark License (2014 Renewal) Agreement dated 11 November 2014 entered into between the Company and TCL Corporation, TCL Group has agreed to grant to the Group an exclusive (subject to certain limited exceptions which are related to existing obligation or businesses of TCL Corporation), non-sub-licensable and non-transferable license to use certain of its registered trademarks including "TCL" for the manufacture, production, sale and distribution of electronic products including televisions, audio-visual products and commercial use display products. During the year, no payment has been made by the Group to TCL Group as royalties and HK$315,370,000 was paid by the Group to TCL Group as reimbursement of branding advertising costs.

(b) Pursuant to the Master Electronic and Electrical Goods Sourcing (2014 Renewal) Agreement dated 11 November 2014 entered into between the Company and TCL Corporation in connection with the purchase of electronic or electrical products from TCL Group, the Group purchased finished goods from TCL Group amounting to HK$11,100,000 during the year.

(c) Pursuant to the Master Sourcing (2014 Renewal) Agreement dated 11 November 2014 entered into between the Company and TCL Corporation, the Group (i) sold overseas materials to TCL Group amounting to HK$756,191,000; (ii) purchased overseas materials from TCL Group amounting to HK$802,215,000 during the year.

(d) Pursuant to the Master Supply (2014 Renewal) Agreement dated 11 November 2014 entered into between the Company and TCL Corporation, the Group (i) purchased goods produced or manufactured in the PRC from TCL Group amounting to HK$8,720,168,000; (ii) sold goods to TCL Group amounting to HK$2,911,657,000 during the year.

(e) Pursuant to the Master Financial Services (2014 Renewal) Agreement dated 11 November 2014 entered into among the Company, TCL Corporation and the Finance Company, a non-wholly owned subsidiary of TCL Corporation, the Group paid fees and commissions for the other financial services thereunder amounting to HK$7,439,000 during the year. The maximum outstanding balance of deposits placed by the Group with the Finance Company amounting to HK$2,574,194,000, the maximum outstanding balance of deposits (cash or bank instruments) as security placed by the Group with the Finance Company amounting to HK$0 and the maximum facility provided to the Group by the Finance Company with bank instruments as security amounting to HK$0 during the year.

    The interest rates offered by the Finance Company were not lower than the interest rates offered by other independent financial institutions during the year.

Pursuant to the Master Financial Services (2014 Renewal) Agreement, if a qualified member of the Group demands repayment of any money deposited by it with the Finance Company in accordance with the relevant terms and procedure and the Finance Company fails to follow the repayment demand, such member shall then have the right to:

(a) offset the relevant outstanding deposit amount against up to the same amount of any outstanding loans owed by it and/or any financing provided to it by the Finance Company and/or TCL Corporation; and/or

(b) transfer the right mentioned in (a) above to other qualified members of the Group;and/or

(c) request TCL Corporation to repay immediately the outstanding deposit amount on behalf of the Finance Company in full.

There was no collateral provided by the Finance Company for the deposit placed by the Group during the year.

(f) Pursuant to the Master Logistics Service Supply (2014 Renewal) Agreement dated 11 November 2014 entered into between the Company and Shenzhen Speed Distribution Platform Company Limited ("Speed Distribution"), a non wholly-owned subsidiary of TCL Corporation and became an associate of TCL Corporation since September 2016, the Group may from time to time request Speed Distribution for provision of certain logistics services. The Group paid HK$347,463,000 to Speed Distribution for all the cost and expenses incurred by Speed Distribution for provision of the logistics services during the year.

(g) Pursuant to the Master Subcontracting (2014 Renewal) Agreement dated 11 November 2014 entered into between the Company and TCL Corporation, the Group (i) did not pay subcontracting fees to TCL Group; (ii) received subcontracting fees from TCL Group amounting to HK$686,000 during the year.

(h) Pursuant to the Master Lease and Vehicle (Lessor) (2014 Renewal) Agreement dated 11 November 2014 entered into between the Company as lessor and TCL Corporation as lessee, the Group received rental income from TCL Group amounting to HK$10,794,000 during the year.

(i) Pursuant to the Master Lease (Tenant) (2014 Renewal) Agreement dated 11 November 2014 entered into between the Company as tenant and TCL Corporation as landlord, the Group paid rental cost to TCL Group amounting to HK$3,600,000 during the year.

(j) Pursuant to the Master Service (2014 Renewal) Agreement dated 11 November 2014 entered into between the Company and TCL Corporation, content income amounting to HK$5,466,000 was shared by the Group in respect of the provision of value added services to end users; and HK$43,780,000 was paid by the Group to TCL Group as service fees in respect of the provision of certain basic services during the year.

(k) Pursuant to the Master After Sale Service (2014 Renewal) Agreement dated 11 November 2014 entered into between the Company and TCL Corporation, the Group received service fees from TCL Group in connection with the provision of after sale service to TCL Group for commercial use display products sold by TCL Group in the PRC amounting to HK$14,844,000 during the year.

(l) Pursuant to the Master Strategic Cooperation (2016) Agreement dated 8 December 2015 entered into between the Company and TCL Corporation, the Group (i) paid service fee to TCL Group for the Joint Laboratory Project provided by TCL Group amounting to HK$10,501,000; (ii) paid service fee to TCL Group for the Strategic Mutual Research and Mid-to-Long-Term Planning Project provided by TCL Group amounting to HK$49,002,000 during the year.

(m) Pursuant to the Master After Sale Service (TV Products) Agreement dated 19 May 2014 entered into between the Company and TCL Corporation, the Group paid service fees to TCL Group in connection with the provision of after sale service by TCL Group for television sets products and their accessories and ancillary products manufactured by the Group amounting to HK$279,610,000 during the year.

(n) Pursuant to the Master Payment Services Agreement (1070) dated 2 March 2015 entered into among the Company and Shenzhen Qianhai CUP Commerce Payment Technology Limited and Shenzhen CUP E_Commerce Co.,Ltd (“Service Providers”, non wholly-owned subsidiaries of TCL Communication Technology Holdings Limited), the Group paid service fee to the Service Providers in connection with the provision of payment services involving payment by consumers through the point of sale terminal system, online payment system, mobile payment system and/or digital television payment system provided by the Service Providers amounting to HK$133,000 during the year.

(o) Pursuant to the Master Internet TV Cooperation Agreement dated 12 August 2015 entered into between the Company and GoLive TV Technology (Beijing) Co., Ltd, (“GoLive”), a non wholly-owned subsidiary of TCL Corporation, the Group received service fees from GoLive in connection with the provision of internet TV services to the end customers of GoLive amounting to HK$3,829,000 during the year.

(p) Pursuant to the Master Qianhai Sailing Cooperation Agreement dated 12 August 2015 entered into between the Company and Shenzhen Qianhai Sailing Supply Chain Management Co. Ltd. (“Qianhai Sailing”), an associate of TCL Corporation, the Group purchased goods required for the manufacturing or production of the products of the Group from Qianhai Sailing and its subsidiaries amounting to HK$563,190,000 during the year.

(q) Pursuant to the Sourcing Framework Agreement dated 18 May 2015 entered into between TCL Overseas Electronics (Huizhou) Limited (“TCL Overseas”), a wholly-owned subsidiary of the Company and Leshi Zhixin Electronic Technology (Tianjin) Co., Ltd. (“Leshi Zhixin”), TCL Overseas supplied electronic products listed in the purchase order, and include renewal/improvement of the products, updating of the versions or functional replacements (“Products”) to Leshi Zhixin amounting to HK$98,764,000 during the year.

(r) Pursuant to the Key Component Sourcing Contract dated 18 May 2015 entered into between TCL Overseas and Leshi Zhixin, Leshi Zhixin supplied key materials required by member(s) of the Group to produce Products to the Group amounting to HK$104,438,000 during the year.

(s) Pursuant to the Sourcing Framework Agreement (2016) dated 20 May 2016 entered into between the Company and Leshi Zhixin, the Group supplied Products to Leshi Zhixin Group amounting to HK$1,030,953,000 during the year.

(t) Pursuant to the Key Component Sourcing Contract (2016) dated 20 May 2016 entered into between the Company and Leshi Zhixin, Leshi Zhixin Group supplied key materials required by member(s) of the Group to produce Products to the Group amounting to HK$229,882,000 during the year.

(u) Pursuant to the Licence Agreement (Hong Kong Science Park) dated 1 November 2016 entered into between the Company as licensee and TCL Corporate Research (Hong Kong) Co., Limited ("TCL Corporate Research"), a wholly-owned subsidiary of TCL Corporation as licensor, the Group (i) paid licence fee to TCL Corporate Research amounting to HK$951,852.60 during the year; (ii) paid fitting out fees to TCL Corporate Research amounting to HK$13,026,026.06 during the year; (iii) maximum balance of deposit to be maintained amounting to HK$1,356,934.48 during the year.

(v) Pursuant to the Rental Agreement dated 23 December 2016 entered into between TCL Intelligence Industry (Huizhou) Company Limited ("TCL Intelligence Industry"), a wholly-owned subsidiary of TCL Corporation as tenant and TCL Optoelectronic TECH (HuiZhou) Company Limited ("TCL Optoelectronic"), a wholly-owned subsidiary of the Company as landlord, TCL Optoelectronic received rent and service fee from TCL Intelligence Industry amounting to HK$40,000 during the year.

The directors of the Company confirm that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

All the related parties transactions set out in note 37 to the financial statements (except for the transactions with a joint venture and certain associates of the Group and TCL Corporation included in note 37(a) to the financial statements) constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules, and the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

The independent non-executive directors of the Company have confirmed that the above-mentioned continuing connected transactions were entered into: (i) in the ordinary and usual course of the Group's business; (ii) in accordance with the terms of the respective agreements governing such transactions on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole; and (iii) either on normal commercial terms or on terms no less favourable to the Group than those available to or from independent third parties.

Ernst & Young, the Company's auditor, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Hong Kong Stock Exchange.

CORPORATE GOVERNANCE

Details of the Group's corporate governance practices can be found in the Corporate Governance Report contained on pages 45 to 71 in this annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted a code of conduct regarding directors' securities transactions on the same terms as set out in the Model Code. Having made specific enquiry of all directors, there were no non-compliance with the standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions during the year ended 31 December 2016.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors of the Company, at least 25% of the Company's total issued share capital was held by the public as at the date of this annual report.

AUDIT COMMITTEE

The Company has an Audit Committee for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls.

AUDITOR

Messrs. Ernst & Young will retire and, being eligible, will offer themselves for reappointment as auditor of the Company at the forthcoming AGM.

EQUITY-LINKED AGREEMENTS

Other than the share option scheme and the Award Scheme as disclosed above and in note 32 to the financial statements respectively and the grant letters issued pursuant to the schemes, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

PERMITTED INDEMNITY PROVISION

The Articles provides that the directors shall be indemnified and secured harmless out of the assets of the Company from and against all losses or liabilities which they incur or sustain as a director of the Company in defending any proceedings, whether civil or criminal, in which judgement is given in his favour, or in which he is acquitted.

The Company has taken out and maintained directors' liability insurance which provides appropriate cover for the directors of the Company and directors of the subsidiaries of the Group.

ON BEHALF OF THE BOARD

LI Dongsheng
Chairman

Hong Kong
21 March 2017

Independent Auditor's Report

EY 安永

To the shareholders of TCL Multimedia Technology Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of TCL Multimedia Technology Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 103 to 207, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements section* of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	**How our audit addressed the key audit matter**
Impairment assessment of investments in associates	
As at 31 December 2016, the carrying amount of the Group's investments in associates was HK$597,618,000. One of the associates with carrying amount of HK$142,397,000 has been loss making or operating near break-even for a few years and therefore, there was an impairment indicator on the Group's investments in the relevant associate. The management performed an impairment assessment on the relevant associate for which an indicator of impairment exists. The impairment assessment was performed using a value-in-use calculation based on the discounted cash flow method. The impairment assessment is complex and requires management to exercise significant judgements and make assumptions, including the growth rates and discount rate which are affected by expected future market and economic conditions. We focused on this area because of the significance of the investments and the complex and subjective judgements involved in the estimation of the recoverable amounts of the investments. The accounting policies and disclosures in respect of investments in associates are included in note 2.4, note 3 and note 18 to the Group's consolidated financial statements.	Our audit procedures included evaluating the methodologies, assumptions and parameters used by management, in particular those relating to the budgeted revenue/gross margin, growth rates and discount rate. We assessed the cash flow forecast against historical information and the discount rate against industry discount rates. We also compared the historical management budgets versus actual performance and evaluated management's business plans considering the current market situation as at 31 December 2016. As part of our audit procedures, we involved our internal valuation expert to assist us with the assessment of methodology and the discount rate used to determine recoverable amounts and we assessed the results of their work. We also assessed the disclosures made in the Group's consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill	
As at 31 December 2016, the Group had goodwill of HK$134,933,000 which was allocated to two cash-generating units ("CGUs") including PRC television products with the TCL brand and PRC television products with the Toshiba brand. The determination of recoverable amount, being the higher of fair value less costs of disposal and value-in-use, requires judgement on the part of management in both identifying and then valuing the relevant CGUs. Recoverable amounts are based on management's estimates of variables such as budgeted gross margins, growth rates and the appropriate discount rates. The accounting policies and disclosures in respect of goodwill are included in note 2.4, note 3 and note 15 to the Group's consolidated financial statements.	Our audit procedures included evaluating the methodologies, assumptions and parameters used by management, in particular those relating to the budgeted revenue/gross margin, growth rates and discount rates. We assessed the cash flow forecast against historical information and the discount rates against industry discount rates. We also compared historical management budgets versus actual performance and evaluated management's business plans considering the current market situation as at 31 December 2016. Furthermore, we also involved our internal valuation expert to assist us with the assessment of methodology and the discount rates used to determine recoverable amounts and we assessed the results of their work as part of our audit. We also assessed the disclosures made in the Group's consolidated financial statements.
Impairment assessment of trade and other receivables	
As at 31 December 2016, the Group had trade receivables and other receivables of HK$5,100,561,000 and HK$1,270,859,000, respectively, represented around 29.2% and 7.3% of current assets of the Group, respectively. Management assessed whether a provision for impairment is required in respect of those material past due outstanding balances that might not be fully recovered. This assessment requires the use of judgment and highly subjective assumptions. The accounting policies and disclosures in respect of trade and other receivables are included in note 2.4, note 3, note 21 and note 22 to the Group's consolidated financial statements.	In evaluating management's impairment assessment, our audit procedures included evaluating the aging of trade and other receivables as at 31 December 2016, checking the subsequent settlement and historical repayment pattern and identifying any events of default or disputes with the debtors. We also reviewed management's assessment on the credit rating of those debtors with material past due outstanding balances as at 31 December 2016 for their creditworthiness and the management's plan for recovering the outstanding receivables. We also assessed the disclosures made in the Group's consolidated financial statements.

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Paul Kai Lung GO.

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong
21 March 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
TURNOVER	5	33,361,250	34,016,833
Cost of sales		(27,545,525)	(28,263,811)
Gross profit		5,815,725	5,753,022
Other revenue and gains		356,209	545,845
Selling and distribution expenses		(3,929,459)	(4,032,140)
Administrative expenses		(1,133,253)	(1,360,303)
Research and development costs		(638,162)	(551,627)
Other operating expenses		(175,299)	(70,132)
		295,761	284,665
Finance costs	6	(93,102)	(185,692)
Share of profits and losses of:			
Joint ventures		(36,147)	(44,336)
Associates		34,694	(17,458)
PROFIT BEFORE TAX	7	201,206	37,179
Income tax	10	(24,428)	(27,039)
PROFIT FOR THE YEAR		176,778	10,140
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 year		23,062	5,299
Reclassification adjustments for losses/(gains) included in the consolidated statement of profit or loss		(4,605)	185
		18,457	5,484

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Exchange differences:			
Translation of foreign operations		(335,552)	(294,622)
Reclassification adjustments for foreign operations disposed of or liquidated during the year		9,321	(2,376)
Reclassification adjustments for deemed partial disposal or liquidation of associates during the year		(1,407)	3
		(327,638)	(296,995)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods		(309,181)	(291,511)
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive loss of an associate		(6,168)	–
OTHER COMPREHENSIVE LOSS FOR THE YEAR		(315,349)	(291,511)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(138,571)	(281,371)
Profit/(loss) attributable to:			
Owners of the parent		182,764	25,811
Non-controlling interests		(5,986)	(15,671)
		176,778	10,140
Total comprehensive loss attributable to:			
Owners of the parent		(125,842)	(258,354)
Non-controlling interests		(12,729)	(23,017)
		(138,571)	(281,371)
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic		HK11.78 cents	HK1.94 cents
Diluted		HK11.35 cents	HK1.90 cents

Consolidated Statement of Financial Position

31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	1,819,152	2,062,753
Prepaid land lease payments	14	121,212	131,849
Goodwill	15	134,933	134,933
Other intangible assets	16	1,094	1,428
Investments in joint ventures	17	36,651	46,118
Investments in associates	18	597,618	470,696
Available-for-sale investments	19	100,126	106,891
Deferred tax assets	31	34,729	25,840
Total non-current assets		2,845,515	2,980,508
CURRENT ASSETS			
Inventories	20	4,349,253	3,282,921
Trade receivables	21	5,100,561	5,537,759
Bills receivable		2,839,571	2,721,173
Other receivables	22	1,270,859	1,351,429
Tax recoverable		21,270	8,593
Pledged deposits	24	–	80,881
Cash and bank balances	24	3,882,361	2,214,927
Total current assets		17,463,875	15,197,683
CURRENT LIABILITIES			
Trade payables	25	7,373,298	5,540,820
Bills payable	26	1,002,284	1,656,855
Other payables and accruals	27	3,609,638	3,503,917
Interest-bearing bank and other borrowings	28	1,353,943	1,460,437
Due to T.C.L. Industries	23	–	7,751
Tax payable		61,696	129,471
Provisions	30	331,800	305,381
Total current liabilities		13,732,659	12,604,632
NET CURRENT ASSETS		3,731,216	2,593,051
TOTAL ASSETS LESS CURRENT LIABILITIES		6,576,731	5,573,559

Consolidated Statement of Financial Position

31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		6,576,731	5,573,559
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	28	1,700	5,071
Due to T.C.L. Industries	23	–	1,131,617
Deferred tax liabilities	31	18,686	28,141
Total non-current liabilities		20,386	1,164,829
Net assets		6,556,345	4,408,730
EQUITY			
Equity attributable to owners of the parent			
Issued capital	32	1,736,446	1,386,361
Reserves	33	4,715,999	2,910,225
		6,452,445	4,296,586
Non-controlling interests		103,900	112,144
Total equity		6,556,345	4,408,730

LI Dongsheng
Director

BO Lianming
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2016

	Attributable to owners of the parent												
	Issued capital HK$'000 (Note 32)	Share premium account HK$'000 (Note 32)	Share option reserve HK$'000 (Note 33 (i))	Capital reserve HK$'000 (Note 33 (ii))	Reserve funds HK$'000 (Note 33 (iii))	Hedging reserve HK$'000 (Note 33 (v))	Exchange fluctuation reserve HK$'000	Shares held for the Award Scheme HK$'000 (Note 32)	Awarded share reserve HK$'000 (Note 33 (iv))	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2015	1,333,599	2,745,480	23,830	57,332	833,489	(185)	386,684	(52,172)	22,234	(881,162)	4,469,129	137,049	4,606,178
Profit/(loss) for the year	-	-	-	-	-	-	-	-	-	25,811	25,811	(15,671)	10,140
Other comprehensive income/(loss) for the year:													
Cash flow hedge	-	-	-	-	-	5,484	-	-	-	-	5,484	-	5,484
Exchange differences related to:													
Translation of foreign operations	-	-	-	-	-	-	(287,276)	-	-	-	(287,276)	(7,346)	(294,622)
Reclassification adjustments for foreign operations disposed of or liquidated during the year	-	-	-	-	-	-	(2,376)	-	-	-	(2,376)	-	(2,376)
Release upon deemed partial disposal of an associate	-	-	-	-	-	-	3	-	-	-	3	-	3
Total comprehensive income/ (loss) for the year	-	-	-	-	-	5,484	(289,649)	-	-	25,811	(258,354)	(23,017)	(281,371)
Acquisition of non-controlling interests	-	-	-	430	-	-	-	-	-	-	430	(1,888)	(1,458)
Equity-settled share option arrangements	-	-	56,818	-	-	-	-	-	-	-	56,818	-	56,818
Share options forfeited during the year	-	-	(170)	-	-	-	-	-	-	170	-	-	-
Issue of shares upon exercise of share options (note 32)	9,089	34,897	(14,308)	-	-	-	-	-	-	-	29,678	-	29,678
Employee share-based compensation benefits under the Award Scheme (note 32)	-	-	-	-	-	-	-	-	45,847	-	45,847	-	45,847
Vesting of shares under the Award Scheme	-	-	-	-	-	-	-	18,441	4,705	-	23,146	-	23,146
Shares allotted for the Award Scheme	43,673	-	-	-	-	-	-	(43,673)	-	-	-	-	-
Final 2014 dividend paid	-	(70,108)	-	-	-	-	-	-	-	-	(70,108)	-	(70,108)
Transfer from retained profits	-	-	-	-	51,788	-	-	-	-	(51,788)	-	-	-
At 31 December 2015	1,386,361	2,710,269*	66,170*	57,762*	885,277*	5,299*	97,035*	(77,404)*	72,786*	(906,969)*	4,296,586	112,144	4,408,730

Consolidated Statement of Changes in Equity

Year ended 31 December 2016

	Attributable to owners of the parent													
	Issued capital HK$'000 (Note 32)	Share premium account HK$'000 (Note 32)	Share option reserve HK$'000 (Note 33 (i))	Capital reserve HK$'000 (Note 33 (ii))	Reserve funds HK$'000 (Note 33 (iii))	Hedging reserve HK$'000 (Note 33 (v))	Exchange fluctuation reserve HK$'000	Other reserve HK$'000	Shares held for the Award Scheme HK$'000 (Note 32)	Awarded share reserve HK$'000 (Note 33 (iv))	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2016	1,386,361	2,710,269	66,170	57,762	885,277	5,299	97,035	-	(77,404)	72,786	(906,969)	4,296,586	112,144	4,408,730
Profit/(loss) for the year	-	-	-	-	-	-	-	-	-	-	182,764	182,764	(5,986)	176,778
Other comprehensive income/(loss) for the year:														
Cash flow hedge	-	-	-	-	-	18,457	-	-	-	-	-	18,457	-	18,457
Exchange differences related to:														
Translation of foreign operations	-	-	-	-	-	-	(328,809)	-	-	-	-	(328,809)	(6,743)	(335,552)
Reclassification adjustments for foreign operations disposed of or liquidated during the year	-	-	-	-	-	-	9,321	-	-	-	-	9,321	-	9,321
Release upon deemed partial disposal or liquidation of associates	-	-	-	-	-	-	(1,407)	-	-	-	-	(1,407)	-	(1,407)
Share of other comprehensive loss of an associate	-	-	-	-	-	-	-	(6,168)	-	-	-	(6,168)	-	(6,168)
Total comprehensive income/(loss) for the year	-	-	-	-	-	18,457	(320,895)	(6,168)	-	-	182,764	(125,842)	(12,729)	(138,571)
Equity-settled share option arrangements	-	-	112,065	-	-	-	-	-	-	-	-	112,065	-	112,065
Issue of shares under a subscription agreement	348,850	1,918,675	-	-	-	-	-	-	-	-	-	2,267,525	-	2,267,525
Issue of shares upon exercise of share options (note 32)	1,235	4,681	(1,935)	-	-	-	-	-	-	-	-	3,981	-	3,981
Share issue expenses	-	(311)	-	-	-	-	-	-	-	-	-	(311)	-	(311)
Incorporation of a non-wholly owned subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	6,708	6,708
Employee share-based compensation benefits under the Award Scheme (note 32)	-	-	-	-	-	-	-	-	-	56,654	-	56,654	-	56,654
Vesting of shares under the Award Scheme	-	-	-	-	-	-	-	-	12,360	(17,303)	-	(4,943)	-	(4,943)
Purchase of shares for the Award Scheme	-	-	-	-	-	-	-	-	(153,270)	-	-	(153,270)	-	(153,270)
Transfer from retained profits	-	-	-	-	28,668	-	-	-	-	-	(28,668)	-	-	-
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(2,223)	(2,223)
At 31 December 2016	1,736,446	4,633,314*	176,300*	57,762*	913,945*	23,756*	(223,860)*	(6,168)*	(218,314)*	112,137*	(752,873)*	6,452,445	103,900	6,556,345

* These reserve accounts comprise the consolidated reserves of HK$4,715,999,000 (2015: HK$2,910,225,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		201,206	37,179
Adjustments for:			
Finance costs	6	93,102	185,692
Share of profits and losses of joint ventures and associates		1,453	61,794
Loss/(gain) on disposal of items of property, plant and equipment, net	7	(2,032)	2,336
Gain on disposal of subsidiaries	7	(839)	(123,159)
Loss/(gain) on liquidation of subsidiaries	7	4,952	(1,140)
Gain on liquidation of an associate	7	(1,083)	–
Interest income	7	(17,845)	(49,024)
Fair value losses/(gains) on derivative financial instruments, net – transactions not qualifying as hedges	7	(571)	2,404
Depreciation	7	236,297	250,878
Impairment of items of property, plant and equipment	7	–	1
Amortisation of other intangible assets	7	223	373
Amortisation of prepaid land lease payments	7	3,507	4,168
Equity-settled share option expense	7	106,580	53,788
Employee share-based compensation benefits under the Award Scheme	7	51,481	42,480
		676,431	467,770
Decrease/(increase) in inventories		(1,257,713)	546,538
Decrease/(increase) in trade receivables		323,596	(1,348,988)
Decrease/(increase) in bills receivable		(280,645)	1,256,037
Decrease in other receivables		70,129	494,768
Increase in trade payables		2,055,175	987,691
Decrease in bills payable		(554,626)	(1,683,301)
Increase/(decrease) in other payables and accruals		242,220	(118,239)
Increase/(decrease) in provisions		35,508	(47,106)
Cash generated from operations		1,310,075	555,170
Interest paid		(92,117)	(184,818)
Interest element of finance lease rental payments		(985)	(874)
Income taxes paid		(119,681)	(57,410)
Net cash flows from operating activities		1,097,292	312,068

Consolidated Statement of Cash Flows

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Net cash flows from operating activities		1,097,292	312,068
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		17,845	49,024
Dividend received from associates		30,609	15,294
Purchases of items of property, plant and equipment		(113,516)	(142,373)
Prepayment of land lease payments		(54,811)	–
Proceeds from disposal of items of property, plant and equipment		13,674	17,402
Loan to a joint venture		(7,756)	–
Capital contribution in a joint venture		(21,237)	(38,501)
Capital contribution in an associate		(7,150)	–
Investments in an associate		(135,291)	–
Disposal of subsidiaries	34(a)	48,380	191,532
Decrease in pledged deposits		75,765	110,535
Net cash flows from/(used in) investing activities		(153,488)	202,913
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares under a subscription agreement		2,267,214	–
Proceeds from issue of shares upon exercise of share options		3,700	29,678
Purchase of shares for the Award Scheme		(153,270)	–
New bank and other loans		5,156,782	13,161,009
Repayment of bank and other loans		(5,213,835)	(14,925,058)
Capital element of finance lease rental payments		(3,183)	(1,519)
Increase/(decrease) in loans from T.C.L. Industries		(1,234,413)	286,206
Acquisition of non-controlling interests		–	(1,458)
Dividend paid		–	(70,108)
Dividends paid to non-controlling shareholders		(2,223)	–
Net cash flows from/(used in) financing activities		820,772	(1,521,250)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1,764,576	(1,006,269)
Cash and cash equivalents at beginning of year		2,214,927	3,379,369
Effect of foreign exchange rate changes, net		(97,142)	(158,173)
CASH AND CASH EQUIVALENTS AT END OF YEAR		3,882,361	2,214,927
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		3,882,361	2,214,927

Notes to Financial Statements

31 December 2016

1. CORPORATE AND GROUP INFORMATION

TCL Multimedia Technology Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands. The registered address of the Company is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The principal place of business of the Company is located at 7th Floor, Building 22E, 22 Science Park East Avenue, Hong Kong Science Park, Shatin, New Territories, Hong Kong.

During the year, the Group and its subsidiaries (collectively referred to as the "Group") were involved in the manufacture and sale of colour television sets.

In the opinion of the directors, T.C.L. Industries Holdings (H.K.) Limited ("T.C.L. Industries"), a company incorporated in Hong Kong, is the immediate holding company of the Company and the ultimate holding company of the Company is TCL Corporation ("TCL Corporation"), which is registered in the People's Republic of China (the "PRC").

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	% of equity attributable to the Company 2016	2015	Principal activities
Guangzhou Digital Rowa Technology Co., Ltd.**/#	PRC	RMB120,000,000	70	70	Manufacture of television products
Manufacturas Avanzadas, S. A. de. C.V.	Mexico	US$15,866,637	100	100	Manufacture of television products
TTE Corporation@	British Virgin Islands ("BVI")/ Hong Kong	US$10,000	100	100	Investment holding
Shenzhen TCL New Technology Company Limited**/#	PRC	RMB10,608,600	100	100	Manufacture and sale of television products
TCL (Vietnam) Corporation Limited	Vietnam	VND37,135,000,000	100	100	Manufacture Limited and sale of television products

Notes to Financial Statements

31 December 2016

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	% of equity attributable to the Company 2016	2015	Principal activities
TCL Electrical Appliance Sales Co., Ltd.**/#	PRC	RMB30,000,000	100	100	Operation of a distribution network in the PRC
TCL Electronics (HK) Limited	Hong Kong	HK$30,000,000	100	100	Trading of television products and components
TCL Electronics (Thailand) Co., Limited	Thailand	THB255,000,000	100	100	Trading of television products and components
TCL Holdings (BVI) Limited	BVI/ Hong Kong	US$25,000	100	100	Investment holding
TCL Belgium S.A.	Belgium	EUR61,500	100	100	Investment holding
TCL International Electronics (BVI) Limited@	BVI/ Hong Kong	US$1	100	100	Investment holding
TTE (North America) Holdings Limited	BVI/ Hong Kong	US$1	100	100	Investment holding
TCL Information Technology Industrial (Group) Co., Ltd.@	BVI/ Hong Kong	US$4,500,000	100	100	Investment holding
TCL King Electrical Appliances (Chengdu) Company Limited**/#	PRC	RMB100,880,000	100	100	Manufacture of television products

Notes to Financial Statements

31 December 2016

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	% of equity attributable to the Company 2016	2015	Principal activities
TCL King Electrical Appliances (Huizhou) Company Limited*/#	PRC	RMB485,863,120	100	100	Manufacture and sale of television products and trading of components
TCL King Electrical Appliances (Nanchang) Company Limited**/#	PRC	RMB21,400,000	100	100	Manufacture of television products
TCL King Electrical Appliances (Wuxi) Company Limited**/#	PRC	RMB78,835,125	70	70	Manufacture of television products
TCL Overseas Electronics (Huizhou) Limited*/#	PRC	RMB217,699,156	100	100	Manufacture of television products
TCL Overseas Holdings Limited	BVI/Hong Kong	US$1	100	100	Investment holding
TCL Overseas Marketing Limited	BVI/Hong Kong	US$1	100	100	Trading of television products and components
TTE Technology Inc.	United States of America	US$75,954,000	100	100	Trading of television products and components
TCL Overseas Marketing (Macao Commercial Offshore) Limited	Macao	MOP100,000	100	100	Trading of television products and components
TCL Operations Polska SP. ZO.O.	Poland	PLN126,716,500	100	100	Manufacture of television products

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	% of equity attributable to the Company 2016	2015	Principal activities
TCL Optoelectronics Technology (Huizhou) Co., Ltd.@/#	PRC	RMB576,000,000	100	100	Manufacture and sale of television products and trading of components
Huizhou TCL Coretronic Co., Ltd.#	PRC	RMB32,000,000	100	100	Manufacture of television components
Toshiba Visual Products (China) Co., Ltd.**/#	PRC	RMB50,000,000	70	70	Trading of television products and components
TCL Moka Manufacturing, S.A. de C.V.	Mexico	MXN50,000	100	100	Manufacture and sale of television products
TCL Moka, S. de R.L. de C.V.	Mexico	MXN3,000	100	100	Property holding

@ Direct subsidiaries of the Company

* Registered as wholly-foreign-owned enterprises under the PRC law

** Registered as Sino-foreign joint ventures under the PRC law

The English names of these companies are not official and are direct translation from their Chinese names for identification purposes only

Details of subsidiaries disposed of during 2016 and 2015 are set out in note 34 to the financial statements.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2016. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

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

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (continued)

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has assessed and adopted, to the extent that is applicable to the Group, the following new and revised HKFRSs for the first time for the current year's 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 2012–2014 Cycle	Amendments to a number of HKFRSs

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

Except for the amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011), amendments to HKFRS 11, HKFRS 14, amendments to HKAS 16 and HKAS 41, amendments to HKAS 27 (2011), and certain amendments included in the *Annual Improvements 2012–2014 Cycle*, which are not relevant to the preparation of the Group's financial statements. The nature and the impact of the amendments are described below:

(a) Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in HKAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments have had no significant impact on the Group's financial statements.

(b) Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(c) *Annual Improvements to HKFRSs 2012–2014 Cycle* issued in October 2014 sets out amendments to a number of HKFRSs. Details of the amendments are as follows:

- HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations:* Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in HKFRS 5. The amendments also clarify that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendments are applied prospectively. The amendments have had no impact on the Group as the Group did not have any disposal group held for sale during the year.

2.3 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 financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[2]
HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKFRS 15	*Clarification to HKFRS 15 Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[3]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 No mandatory effective date yet determined but available for adoption

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs (CONTINUED)

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The Group expects to adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for application now.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs (CONTINUED)

HKFRS 15 establishes a new 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 principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.* The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt HKFRS 16 on 1 January 2019 and is currently assessing the impact of HKFRS 16 upon adoption.

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 January 2017.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs (CONTINUED)

Amendments to HKAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 January 2017.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures (continued)

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations.*

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets (continued)

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties (continued)

(b) the party is an entity where any of the following conditions applies: (continued)

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Freehold land	Not depreciated
Leasehold land under finance leases	Over the lease terms
Buildings	2% – 5%
Leasehold improvements	20% – 50%
Plant and machinery	9% – 20%
Furniture, fixtures and equipment	18% – 33.3%
Motor vehicles	18% – 25%

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation (continued)

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings under construction and plant and machinery in the process of installation, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction and installation and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Patents and licences

Purchased patents and licences with finite lives are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 4 to 10 years.

Trademarks

Purchased trademarks with finite lives are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 10 years.

Customer relationships

Purchased customer relationships with finite lives are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 5 years.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill) (continued)

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss (including derivative financial instruments), loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for “Revenue recognition” below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Financial assets at fair value through profit or loss (continued)

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other revenue and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other operating expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in unlisted equity investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in profit or loss as other income in accordance with the policies set out for “Revenue recognition” below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Available-for-sale financial investments (continued)

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other operating expenses in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss – is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its costs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amounts due to T.C.L. Industries, derivative financial instruments and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (continued)

Loans and borrowings

After initial recognition, interest-bearing bank and other borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instrument and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment;

- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or

- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments and hedge accounting (continued)

Initial recognition and subsequent measurement (continued)

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instruments is recognised directly in other comprehensive income in the hedging reserve, while any ineffective portion is recognised immediately in profit or loss.

Amounts recognised in other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised in other comprehensive income are transferred to profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, the amounts previously recognised in other comprehensive income remain in other comprehensive income until the forecast transaction occurs or the foreign currency firm commitment is met.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e. the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Treasury shares

Own equity instruments which are reacquired and held by the Company (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Provisions for product warranties granted by the Group on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair values where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) income from the rendering of services, when the services are rendered;

(c) rental income, on a time proportion basis over the lease terms;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

(d) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(e) dividend income, when the shareholders' right to receive payment has been established.

Share-based payments

The Company operates a share option scheme and a share award scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments (continued)

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of equity-settled award is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") in Hong Kong under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Certain subsidiaries outside Hong Kong are required to contribute a certain percentage of their payroll costs to pension schemes operated by the respective governments. The only obligation of the Group with respect to the pension schemes is to pay the required ongoing contributions. Contributions under the schemes are charged to profit or loss as they become payable in accordance with the rules of the pension schemes.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e. translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, (respectively).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss and other comprehensive income are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgement, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgement

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (CONTINUED)

Judgement (continued)

Derecognition of financial assets – Receivables purchase arrangements

At 31 December 2016, the Group have entered into certain receivables purchase agreements with a financial institution for the factoring of trade receivables due from a customer with an aggregate carrying amount of HK$167,051,000. None of the related receivables factored to the financial institution were derecognised from the consolidated statement of financial position because in the opinion of the directors, the Group has not transferred substantially all the risks and rewards of ownership in respect of the related factored trade receivables to the financial institution. Accordingly, the advances from the financial institution of HK$167,051,000 received by the Group as consideration for the factored trade receivables at 31 December 2016 were recognised as liabilities and included in "Interest-bearing bank and other borrowings" (note 28). Further details are given in note 21 to the financial statements.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

(i) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2016 was HK$134,933,000 (2015: HK$134,933,000). Further details are given in note 15 to the financial statements.

(ii) Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

(iii) Useful lives and impairment of property, plant and equipment

The Group determines the useful lives and related depreciation charges for its property, plant and equipment based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The estimated useful lives could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles.

Management will increase the depreciation charge where useful lives are less than previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned. Actual economic lives of property, plant and equipment may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation in the future periods.

(iv) Impairment of trade and other receivables

Impairment of trade and other receivables is made based on assessment of the recoverability of receivables due from customers. The identification of impairment requires management judgements and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact on the carrying amount of the receivables and impairment losses/reversal of impairment losses in the period in which such estimate has been changed.

(v) Provision against obsolete and slow-moving inventories

The Group reviews the condition of its inventories and makes provision against obsolete and slow-moving inventory items which are identified as no longer suitable for sale or use. Management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review at the end of the reporting period and makes provision against obsolete and slow-moving items. Management reassesses the estimation at the end of the reporting period.

The provision against obsolete and slow-moving inventories requires the use of judgements and estimates. Where the expectation is different from the original estimate, such difference will impact on the carrying value of inventories and the write-down of inventories recognised in the periods in which such estimates have been changed.

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

(vi) Warranty provisions

As further explained in note 30 to the financial statements, the Group makes provisions for the warranties it gives on the sale of its products taking into account the Group's current sales levels and past experience of the level of repairs and returns. As the Group is continually upgrading its product designs and launching new models, it is possible that the past experience of the level of repairs and returns is not indicative of future claims that it will receive in respect of past sales. Any increase or decrease in the actual claims would affect profit or loss in future years.

(vii) Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences such as the warranty provisions, patent fee provisions and unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details on deferred tax assets are included in note 31 to the financial statements.

(viii) PRC corporate income tax

The Group is subject to income taxes in the PRC. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureaus, objective estimates and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision for income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences realise.

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 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.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

	Television - PRC market		Television - overseas markets		Others		Total		Eliminations		Consolidated	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:												
Sales to external customers	19,172,524	21,838,894	13,920,796	12,015,454	267,930	162,485	33,361,250	34,016,833	–	–	33,361,250	34,016,833
Intersegment sales	578,060	1,166,334	219,744	–	57,188	31,825	854,992	1,198,159	(854,992)	(1,198,159)	–	–
Total	19,750,584	23,005,228	14,140,540	12,015,454	325,118	194,310	34,216,242	35,214,992	(854,992)	(1,198,159)	33,361,250	34,016,833
Segment results	218,621	898,965	393,230	(80,092)	25,663	(56,813)	637,514	762,060	–	–	637,514	762,060
Corporate expenses, net							(359,598)	(526,419)			(359,598)	(526,419)
Finance costs							(93,102)	(185,692)			(93,102)	(185,692)
Interest income							17,845	49,024			17,845	49,024
Share of profits and losses of:												
Joint ventures	–	–	8,042	(1,869)	(44,189)	(42,467)	(36,147)	(44,336)			(36,147)	(44,336)
Associates	2,844	(38,549)	14,775	–	17,075	21,091	34,694	(17,458)			34,694	(17,458)
Profit before tax							201,206	37,179			201,206	37,179
Income tax							(24,428)	(27,039)			(24,428)	(27,039)
Profit for the year							176,778	10,140			176,778	10,140
Other segment information:												
Depreciation and amortisation	193,204	197,108	15,518	17,873	31,305	40,438	240,027	255,419	–	–	240,027	255,419
Impairment of items of property, plant and equipment	–	–	–	1	–	–	–	1	–	–	–	1
Investments in joint ventures	–	–	10,184	2,585	26,467	43,533	36,651	46,118	–	–	36,651	46,118
Investments in associates	144,995	168,952	144,960	–	307,663	301,744	597,618	470,696	–	–	597,618	470,696

Notes to Financial Statements

31 December 2016

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

	PRC		Europe		North America		Others		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue from external customers	19,372,622	21,897,897	1,358,001	1,768,737	2,877,780	1,728,873	9,752,847	8,621,326	33,361,250	34,016,833
Non-current assets	2,336,340	2,615,258	125,245	133,865	175,885	197,711	173,316	7,834	2,810,786	2,954,668

The revenue information above is based on the locations of the customers. The non-current assets information above is based on the locations of the assets and excludes deferred tax assets.

Information about major customer

For the years ended 31 December 2016 and 2015, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

5. TURNOVER

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2016	2015
	HK$'000	HK$'000
Interest on:		
Bank and other loans	65,842	176,240
Loans from T.C.L. Industries	25,424	6,334
Loans from an associate	851	2,244
Finance leases	985	874
Total	93,102	185,692

7. PROFIT BEFORE TAX

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

	Note	2016 HK$'000	2015 HK$'000
Cost of inventories sold		27,468,281	28,178,825
Depreciation	13	236,297	250,878
Research and development costs		638,395	588,574
Less: Government grants released*		(233)	(36,947)
		638,162	551,627

	Notes	2016 HK$'000	2015 HK$'000
Amortisation of other intangible assets	16	223	373
Amortisation of prepaid land lease payments	14	3,507	4,168
Minimum lease payments under operating leases in respect of land and buildings		107,448	98,150
Auditor's remuneration		9,500	9,750
Employee benefits expenses (including directors' remuneration):	8		
Wages and salaries		2,076,444	2,141,264
Equity-settled share option expense		106,580	53,788
Employee share-based compensation benefits under the Award Scheme		51,481	42,480
Defined contribution expense		241,669	244,946
		2,476,174	2,482,478

7. PROFIT BEFORE TAX (CONTINUED)

	Notes	2016 HK$'000	2015 HK$'000
Foreign exchange differences, net		(44,688)	280,237
Impairment of items of property, plant and equipment	13	–	1**
Impairment/(reversal of impairment) of trade receivables, net	21	(8,384)	66,358**
Impairment of other receivables		170,099**	–
Write-down of inventories to net realisable value		2,390	63,248
Fair value losses/(gains) on derivative financial instruments, net – transactions not qualifying as hedges		(571)	2,404
Realised gain on settlement of derivative financial instruments		(17,063)	(37,452)
Rental income, net		(11,741)	(15,555)
Interest income		(17,845)	(49,024)
Other government grants***		(30,901)	(52,929)
Loss/(gain) on disposal of items of property, plant and equipment, net		(2,032)	2,336**
Gain on disposal of subsidiaries	34(a)	(839)	(123,159)
Loss/(gain) on liquidation of subsidiaries	34(b)	4,952**	(1,140)
Gain on liquidation of an associate		(1,083)	–
Restructuring cost provision, net		248**	1,437**
Product warranty provision:	30		
Additional provision		234,978	240,401
Reversal of unutilised provision		(55,019)	(127,043)
		179,959	113,358

Notes:

* Certain government grants have been received for research activities in the PRC. The government grants released have been deducted from the research and development costs to which they are related. There are no unfulfilled conditions or contingencies relating to these grants.

** These items are included in "Other operating expenses" on the face of the consolidated statement of profit or loss and other comprehensive income.

*** Other government grants have been received for the enhancement of technologies applied in certain of the Group's production lines in the PRC. There are no unfulfilled conditions or contingencies relating to these grants.

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the listing of Securities on the Stock Exchange (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefit of Directors) Regulation, is as follows:

	2016 HK$'000	2015 HK$'000
Fees	1,388	1,189
Other emoluments:		
Salaries, allowances and benefits in kind	2,854	3,507
Discretionary performance related bonuses	881	2,057
Equity-settled share option benefits	9,142	6,974
Employee share-based compensation benefits under the Award Scheme	4,251	2,751
Pension scheme contributions	112	74
	17,240	15,363
	18,628	16,552

8. DIRECTORS' REMUNERATION (CONTINUED)

(a) Independent non-executive directors

The remuneration paid to independent non-executive directors during the year was as follows:

	2016				2015			
	Fees HK$'000	Equity-settled share option benefits HK$'000	Discretionary performance related bonuses HK$'000	Total remuneration HK$'000	Fees HK$'000	Equity-settled share option benefits HK$'000	Discretionary performance related bonuses HK$'000	Total remuneration HK$'000
Mr. TANG Guliang (note (i))	–	–	–	–	–	112	–	112
Mr. Robert Maarten WESTERHOF	300	124	–	424	300	112	–	412
Ms. WU Shihong (note (ii))	–	–	–	–	183	112	–	295
Dr. TSENG Shieng-chang Carter (note (iii))	–	–	–	–	–	–	–	–
Professor SO Wai Man Raymond (note (iv))	300	164	–	464	117	58	–	175
Professor WANG Yijiang (note (v))	275	81	–	356	–	–	–	–
	875	369	–	1,244	600	394	–	994

No other emoluments were payable to the independent non-executive directors during the year (2015: Nil).

8. DIRECTORS' REMUNERATION (CONTINUED)

(b) Executive directors and non-executive directors

The remuneration paid to executive directors and non-executive directors during the year was as follows:

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary performance related bonuses HK$'000	Equity-settled share option benefits HK$'000	Employee share-based compensation benefits under the Award Scheme HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2016							
Executive directors:							
Mr. LI Dongsheng	–	650	–	1,908	–	–	2,558
Mr. BO Lianming	–	1,292	–	3,816	2,567	–	7,675
Mr. YAN Xiaolin	–	–	399	623	–	–	1,022
Ms. XU Fang		912	65	2,064	1,684	112	4,837
	–	2,854	464	8,411	4,251	112	16,092
Non-executive directors:							
Mr. Albert Thomas DA ROSA, Junior	225	–	–	124	–	–	349
Mr. HUANG Xubin	–	–	417	124	–	–	541
Mr. Winston Shao-min CHENG (note (vi))	144	–	–	57	–	–	201
Mr. Abulikemu ABULIMITI (note (vi))	144	–	–	57	–	–	201
	513	–	417	362	–	–	1,292
	513	2,854	881	8,773	4,251	112	17,384

8. DIRECTORS' REMUNERATION (CONTINUED)

(b) Executive directors and non-executive directors (continued)

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary performance related bonuses HK$'000	Equity-settled share option benefits HK$'000	Employee share-based compensation benefits under the Award Scheme HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2015							
Executive directors:							
Mr. LI Dongsheng	60	650	244	1,730	–	–	2,684
Mr. BO Lianming	60	1,280	–	3,459	1,981	–	6,780
Mr. HAO Yi (note (vii))	60	1,229	1,060	–	–	29	2,378
Mr. YAN Xiaolin	60	–	206	565	–	–	831
Ms. XU Fang (note (viii))	14	348	137	602	770	45	1,916
	254	3,507	1,647	6,356	2,751	74	14,589
Non-executive directors:							
Mr. Albert Thomas DA ROSA, Junior	225	–	–	112	–	–	337
Mr. HUANG Xubin	60	–	215	112	–	–	387
Mr. SHI Wanwen (note (ix))	50	–	195	–	–	–	245
	335	–	410	224	–	–	969
	589	3,507	2,057	6,580	2,751	74	15,558

8. DIRECTORS' REMUNERATION (CONTINUED)

(b) Executive directors and non-executive directors (continued)

Notes:

(i) Mr. TANG Guliang resigned as an independent non-executive director of the Company with effect from 1 February 2016. He agreed to waive his remuneration as director for January 2016 of HK$25,000 (Year ended 31 December 2015: HK$300,000). All of such remuneration would be donated by the Company for charity use.

(ii) Ms. WU Shihong resigned as an independent non-executive director of the Company with effect from 12 August 2015.

(iii) Dr. TSENG Shieng-chang Carter agreed to waive his remuneration as director for the year ended 31 December 2016 of HK$300,000 (2015: HK$300,000) and such remuneration will be donated by the Company for charity use.

(iv) Professor SO Wai Man Raymond was appointed as an independent non-executive director of the Company with effect from 12 August 2015.

(v) Professor WANG Yijiang was appointed as an independent non-executive director of the Company with effect from 1 February 2016.

(vi) Mr. Winston Shao-min CHENG and Mr. Abulikemu ABULIMITI were appointed as non-executive directors of the Company with effect from 11 May 2016.

(vii) Mr. HAO Yi resigned as an executive director of the Company with effect from 18 September 2015.

(viii) Ms. XU Fang was appointed as an executive director of the Company with effect from 21 May 2015.

(ix) Mr. SHI Wanwen resigned as a non-executive director of the Company with effect from 21 May 2015.

Save as disclosed in notes (i) and (iii) above, there was no other arrangement under which a director returned, waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2015: one), details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three (2015: four) non-director, highest paid employees for the year are as follows:

	2016 HK$'000	2015 HK$'000
Salaries, allowances and benefits in kind	2,408	12,899
Discretionary performance related bonuses	2,987	428
Equity-settled share option benefits	4,992	2,981
Employee share-based compensation benefits under the Award Scheme	4,300	3,518
Pension scheme contributions	302	226
	14,989	20,052

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2016	2015
HK$3,000,001 to HK$3,500,000	1	–
HK$3,500,001 to HK$4,000,000	–	2
HK$5,000,001 to HK$5,500,000	1	1
HK$6,000,001 to HK$6,500,000	1	–
HK$7,500,001 to HK$8,000,000	–	1
	3	4

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	2016	2015
	HK$'000	HK$'000
Current – Hong Kong		
Charge for the year	**1,713**	–
Underprovision in prior years	**106**	24
Current – Elsewhere		
Charge for the year	**75,892**	63,425
Overprovision in prior years	**(33,969)**	(40,592)
Deferred (note 31)	**(19,314)**	4,182
Total tax charge for the year	**24,428**	27,039

A reconciliation of the tax expense applicable to profit before tax at the statutory/applicable rates for the countries/jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	2016	2015
	HK$'000	HK$'000
Profit before tax	**201,206**	37,179
Tax at the statutory/applicable tax rates of different countries/jurisdictions	**95,951**	(347)
Lower tax rates for specific provinces or enacted by local authority	**(101,711)**	(75,287)
Adjustments in respect of current tax of previous periods	**(33,863)**	(40,568)
Profits and losses attributable to joint ventures and associates	**363**	15,449
Income not subject to tax	**(47,941)**	(72,246)
Expenses not deductible for tax	**88,026**	79,240
Tax losses utilised from previous periods	**(64,665)**	(15,249)
Tax losses not recognised	**88,268**	136,047
Tax charge at the Group's effective rate	**24,428**	27,039

10. INCOME TAX (CONTINUED)

The share of tax attributable to joint ventures and associates amounted to tax charge of HK$639,000 (2015: tax credit of HK$284,000) and tax charge of HK$26,793,000 (2015: HK$6,482,000), respectively, is included in "Share of profits and losses of joint ventures and associates" in the consolidated statement of profit or loss and other comprehensive income.

In accordance with the relevant tax rules and regulations of the PRC, certain of the Group's PRC subsidiaries enjoy a preferential corporate income tax rate of 15%. Also, certain subsidiaries of the Group in the PRC enjoy a full exemption of corporate income tax for two years and a half reduction of corporate income tax for the following three years.

11. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the year (2015: Nil).

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

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

	2016 HK$'000	2015 HK$'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	182,764	25,811

	Number of shares 2016	 2015
Shares		
Weighted average number of ordinary shares in issue less shares held for Award Scheme during the year used in the basic earnings per share calculation	1,551,157,083	1,327,860,621
Effect of dilution – weighted average number of ordinary shares:		
Share options	23,207,182	10,830,592
Awarded shares	35,464,282	18,502,992
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	1,609,828,547	1,357,194,205

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2016							
At 31 December 2015 and at 1 January 2016:							
Cost	1,852,940	274,998	1,198,873	265,165	41,490	16,724	3,650,190
Accumulated depreciation and impairment	(405,526)	(196,340)	(739,991)	(206,104)	(27,004)	(12,472)	(1,587,437)
Net carrying amount	1,447,414	78,658	458,882	59,061	14,486	4,252	2,062,753
At 1 January 2016, net of accumulated depreciation and impairment	1,447,414	78,658	458,882	59,061	14,486	4,252	2,062,753
Additions	337	17,826	40,337	43,385	6,691	18,413	126,989
Disposals	(47)	(2,023)	(19,058)	(2,100)	(729)	–	(23,957)
Depreciation provided during the year (note 7)	(73,994)	(26,895)	(74,739)	(55,405)	(5,264)	–	(236,297)
Transfers	2,152	108	1,835	1,376	37	(5,508)	–
Exchange realignment	(76,758)	(6,867)	(17,464)	(7,229)	(1,320)	(698)	(110,336)
At 31 December 2016, net of accumulated depreciation and impairment	1,299,104	60,807	389,793	39,088	13,901	16,459	1,819,152
At 31 December 2016:							
Cost	1,750,149	261,392	1,079,494	261,749	41,426	28,931	3,423,141
Accumulated depreciation and impairment	(451,045)	(200,585)	(689,701)	(222,661)	(27,525)	(12,472)	(1,603,989)
Net carrying amount	1,299,104	60,807	389,793	39,088	13,901	16,459	1,819,152

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land and buildings HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2015							
At 1 January 2015:							
Cost	2,071,791	273,210	1,229,407	321,885	43,238	42,215	3,981,746
Accumulated depreciation and impairment	(399,348)	(206,494)	(728,663)	(250,153)	(28,247)	(12,472)	(1,625,377)
Net carrying amount	1,672,443	66,716	500,744	71,732	14,991	29,743	2,356,369
At 1 January 2015, net of accumulated depreciation and impairment	1,672,443	66,716	500,744	71,732	14,991	29,743	2,356,369
Additions	–	35,758	51,073	51,099	7,091	8,362	153,383
Disposal of subsidiaries (note 34(a))	(57,523)	–	–	–	–	–	(57,523)
Disposals	(12)	(1,641)	(7,836)	(8,765)	(1,074)	(410)	(19,738)
Depreciation provided during the year (note 7)	(82,941)	(34,819)	(73,630)	(54,277)	(5,211)	–	(250,878)
Impairment (note 7)	–	–	(1)	–	–	–	(1)
Transfers	36	15,863	9,886	7,080	–	(32,865)	–
Exchange realignment	(84,589)	(3,219)	(21,354)	(7,808)	(1,311)	(578)	(118,859)
At 31 December 2015, net of accumulated depreciation and impairment	1,447,414	78,658	458,882	59,061	14,486	4,252	2,062,753
At 31 December 2015:							
Cost	1,852,940	274,998	1,198,873	265,165	41,490	16,724	3,650,190
Accumulated depreciation and impairment	(405,526)	(196,340)	(739,991)	(206,104)	(27,004)	(12,472)	(1,587,437)
Net carrying amount	1,447,414	78,658	458,882	59,061	14,486	4,252	2,062,753

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Note: As at 31 December 2016, certain buildings of the Group situated in Hohhot, the PRC, with an aggregate carrying amount of HK$129,886,000 (2015: HK$147,045,000) did not have the building ownership certificates registered under the name of the respective subsidiary of the Group. Moreover, the land transfer procedures of the land on which the relevant buildings were constructed have not been completed and the related land premium has not been finalised with the Ministry of Land and Resources of the PRC.

In the opinion of the directors, the risk of the Group not being able to obtain the legal titles for the relevant land and buildings is low and the Group will continue to pursue and discuss with the Ministry of Land and Resources of the PRC for the final settlement and complete the ownership registration of the land and buildings.

The net carrying amounts of the Group's fixed assets held under finance leases included in the total amounts of furniture, fixtures and equipment and motor vehicles as at 31 December 2016 were HK$3,755,000 (2015: HK$5,057,000) and HK$2,267,000 (2015: HK$3,053,000), respectively.

14. PREPAID LAND LEASE PAYMENTS

	2016 HK$'000	2015 HK$'000
Carrying amount at 1 January	134,299	156,913
Additions	54,811	–
Disposal of subsidiaries (note 34(a))	(55,197)	(9,859)
Amortised during the year (note 7)	(3,507)	(4,168)
Exchange realignment	(6,991)	(8,587)
Carrying amount at 31 December	123,415	134,299
Current portion included in other receivables (note 22)	(2,203)	(2,450)
Non-current portion	121,212	131,849

15. GOODWILL

	HK$'000
At 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016:	
Cost	170,621
Accumulated impairment	(35,688)
Net carrying amount	134,933

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating units ("CGUs") for impairment testing:

- PRC television products with the TCL brand ("TCL Brand")
- PRC television products with the Toshiba brand ("Toshiba Brand")

The recoverable amounts of both CGUs were determined based on value in use calculations using cash flow projections of financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections for the CGUs of both the TCL Brand and the Toshiba Brand was 16.5% and 16.8%, respectively (2015: 16.3% and 16.6%, respectively).

The carrying amount of goodwill allocated to each of the CGUs is as follows:

	TCL Brand HK$'000	Toshiba Brand HK$'000	Total HK$'000
Carrying amount of goodwill at 31 December 2015 and 31 December 2016	**119,638**	**15,295**	**134,933**

Management has determined the budgeted gross margins based on past performance and its expectation for market development. The discount rates used are before tax and reflect specific risks relating to the CGUs.

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16. OTHER INTANGIBLE ASSETS

	Patents and licences HK$'000	Trademarks HK$'000	Customer relationships HK$'000	Total HK$'000
31 December 2016				
Cost at 1 January 2016, net of accumulated amortisation and impairment	–	1,065	363	1,428
Amortisation provided during the year (note 7)	–	(123)	(100)	(223)
Exchange realignment	–	(61)	(50)	(111)
At 31 December 2016	–	881	213	1,094
At 31 December 2016:				
Cost	15,112	3,633	457	19,202
Accumulated amortisation and impairment	(15,112)	(2,752)	(244)	(18,108)
Net carrying amount	–	881	213	1,094
31 December 2015				
Cost at 1 January 2015, net of accumulated amortisation and impairment	–	1,391	556	1,947
Amortisation provided during the year (note 7)	–	(255)	(118)	(373)
Exchange realignment	–	(71)	(75)	(146)
At 31 December 2015	–	1,065	363	1,428
At 31 December 2015:				
Cost	16,133	3,878	543	20,554
Accumulated amortisation and impairment	(16,133)	(2,813)	(180)	(19,126)
Net carrying amount	–	1,065	363	1,428

17. INVESTMENTS IN JOINT VENTURES

	2016 HK$'000	2015 HK$'000
Share of net assets	28,895	46,118
Loan to a joint venture	7,756	–
	36,651	46,118

The Group's trade receivables due from joint ventures are disclosed in note 21 to the financial statements.

Summarised final information of joint ventures

The following table illustrates the aggregate summarised financial information of the Group's joint ventures that are not individually material:

	2016 HK$'000	2015 HK$'000
Share of the joint ventures' losses for the year	(36,147)	(44,336)
Share of the joint ventures' total comprehensive loss for the year	(36,147)	(44,336)
Aggregate carrying amount of the Group's investments in these joint ventures	36,651	46,118

18. INVESTMENTS IN ASSOCIATES

	2016 HK$'000	2015 HK$'000
Share of net assets	535,255	407,810
Goodwill on acquisition	62,363	62,886
	597,618	470,696

18. INVESTMENTS IN ASSOCIATES (CONTINUED)

Particulars of the Group's material associate are as follows:

Name	Particulars of registered capital	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activities
TCL Finance Co., Ltd. ("Finance Company")	RMB1,500,000,000	PRC	14	Provision of financial services

All the associates have been accounted for using the equity method in these financial statements. The accounting year end of the associates are coterminous with that of the Group.

Finance Company, which is considered as a material associate of the Group, is a strategic partner of the Group engaged in the provision of financial services.

The Group's shareholding in Finance Company is held through a wholly-owned subsidiary of the Company. Although the Group holds less than 20% of the voting power of Finance Company, in the opinion of the directors, the Group is in a position to exercise significant influence over Finance Company through its representation in the board of directors and its participation in policy-making processes of Finance Company.

18. INVESTMENTS IN ASSOCIATES (CONTINUED)

The following table illustrates the summarised financial information of Finance Company, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	Finance Company	
	2016	2015
	HK$'000	HK$'000
Current assets	**18,469,995**	9,034,171
Non-current assets	**16,446,919**	12,147,174
Current liabilities	**(32,851,346)**	(19,026,028)
Net assets	**2,065,568**	2,155,317
Reconciliation to the Group's interest in the associate:		
Percentage of the Group's interest	**14%**	14%
Group's share of net assets of the associate and carrying amount of the investment	**289,179**	301,744
Revenues	**276,209**	335,774
Profit for the year	**121,474**	150,652
Total comprehensive income for the year	**121,474**	150,652
Dividend received	**10,192**	955

The following table illustrates the aggregate summarised financial information of the Group's associates that are not individually material:

	2016	2015
	HK$'000	HK$'000
Share of the associates' profit/(losses) for the year	**17,688**	(38,549)
Share of the associates' other comprehensive loss for the year	**(6,168)**	–
Share of the associates' total comprehensive income/(loss) for the year	**11,520**	(38,549)
Aggregate carrying amount of the Group's investments in these associates	**308,439**	168,952

19. AVAILABLE-FOR-SALE INVESTMENTS

	2016 HK$'000	2015 HK$'000
Unlisted equity investments, at cost	101,808	108,573
Accumulated impairment	(1,682)	(1,682)
	100,126	106,891

The Group's available-for-sale investments represent investments in unlisted equity securities in the PRC. In the opinion of the directors, the fair value of these unlisted equity investments cannot be reliably measured because (a) these investments do not have quoted market prices in an active market; (b) the range of reasonable fair value estimates is significant for these investments; and (c) the probabilities of the various estimates cannot be reasonably assessed and used in estimating fair value. As such, all these unlisted equity securities are stated at cost less any impairment losses.

20. INVENTORIES

	2016 HK$'000	2015 HK$'000
Raw materials	1,458,922	822,128
Work in progress	240,397	73,369
Finished goods	2,649,934	2,387,424
	4,349,253	3,282,921

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21. TRADE RECEIVABLES

	Note	2016 HK$'000	2015 HK$'000
Due from third parties		3,816,599	3,950,768
Provision for impairment		(199,925)	(225,855)
		3,616,674	3,724,913
Due from related parties:			
Companies controlled by TCL Corporation	23	883,139	1,672,525
Associates of TCL Corporation	23	80,739	85,841
Joint ventures	23	71,930	54,480
An associate	23	75,591	–
A substantial shareholder	23	372,488	–
		1,483,887	1,812,846
		5,100,561	5,537,759

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

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

An 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:

	2016 HK$'000	2015 HK$'000
Current to 90 days	4,081,419	3,993,987
91 to 180 days	595,245	536,398
181 to 365 days	162,186	829,629
Over 365 days	261,711	177,745
	5,100,561	5,537,759

21. TRADE RECEIVABLES (CONTINUED)

The movements in the provision for impairment of trade receivables are as follows:

	2016 HK$'000	2015 HK$'000
At 1 January	225,855	201,015
Impairment losses recognised	8,123	68,529
Impairment losses reversed	(16,507)	(2,171)
Amount written off as uncollectible	(14,192)	(35,058)
Exchange realignment	(3,354)	(6,460)
At 31 December	199,925	225,855

The above provision for impairment of trade receivables is a provision for individually impaired trade receivables. The individually impaired trade receivables relate to customers who were either in financial difficulties or in dispute and only a portion of the receivables are expected to be recovered.

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	2016 HK$'000	2015 HK$'000
Neither past due nor impaired	4,378,750	4,831,661
Less than 91 days past due	417,890	402,270
91 to 180 days past due	96,973	109,796
Over 180 days past due	206,948	194,032
	5,100,561	5,537,759

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired are either relate to a number of independent customers who have a good track record with the Group or with net exposure substantially covered by credit insurance. Based on past experience, the directors of the Company are of the opinion that no further provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable.

21. TRADE RECEIVABLES (CONTINUED)

At 31 December 2016, the Group has entered into certain receivables purchase agreements with a financial institution for the factoring of trade receivables due from a customer with an aggregate carrying amount of HK$167,051,000. None of the related receivables factored to the financial institution were derecognised from the consolidated statement of financial position because, in the opinion of the directors, the Group has not transferred substantially all the risks and rewards of ownership in respect of the related factored trade receivables to the financial institution. Accordingly, the advances from the financial institution of HK$167,051,000 received by the Group as consideration for the factored trade receivables at 31 December 2016 were recognised as other loans and included in "Interest-bearing bank and other borrowings" (note 28).

22. OTHER RECEIVABLES

	Notes	2016 HK$'000	2015 HK$'000
Prepayments and deposits		205,649	173,825
Other receivables		993,377	1,145,146
Prepaid land lease payments	14	2,203	2,450
Derivative financial instruments	(a)	24,851	9,119
Due from companies controlled by TCL Corporation	23	44,442	19,429
Due from associates of TCL Corporation	23	337	1,460
		1,270,859	1,351,429

Note:

(a) (i) Forward currency contracts – cash flow hedge

The Group's forward currency contracts are designated as hedging instruments in respect of forecast future purchases in United States Dollars to which the Group has firm commitments. The forward currency contract balances vary with the levels of expected foreign currency purchases and changes in foreign exchange forward rates.

The terms of the forward currency contracts match the terms of the commitments. The cash flow hedges relating to expected future purchases from January to December 2017 were assessed to be highly effective and net gains of HK$18,457,000 (2015: net gains of HK$5,484,000) were included in the hedging reserve as follows:

	2016 HK$'000	2015 HK$'000
Total fair value gains included in the hedging reserve	23,062	5,299
Reclassified from other comprehensive income and recognised in profit or loss	(4,605)	185
Net gains on cash flow hedges	18,457	5,484

22. OTHER RECEIVABLES (CONTINUED)

Note: (continued)

(a) (continued)

(ii) Non-hedging currency derivatives

In addition, the Group has entered into various forward currency contracts to manage its exchange rate exposures. They are not designated for hedge purposes and are measured at fair value through profit or loss. Net gains of HK$571,000 (2015: net losses of HK$2,404,000) as a result of the changes in the fair value of these non-hedging derivative financial contracts were recognised in profit or loss for the year ended 31 December 2016.

The fair values of derivative financial instruments were classified as Level 2 of the fair value hierarchy.

The fair value of the Group's forward currency contracts is determined by discounting the estimated future cash flows which are based on forward exchange rates and contract forward rates, and the discount rate used reflects the credit risk of the forward contract counterparties.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to the receivables for which there was no recent history of default.

23. DUE FROM/TO COMPANIES CONTROLLED BY TCL CORPORATION/ASSOCIATES OF TCL CORPORATION/ T.C.L. INDUSTRIES/JOINT VENTURES/AN ASSOCIATE/ A SUBSTANTIAL SHAREHOLDER

As at 31 December 2016, the amounts are interest-free, unsecured and repayable within one year.

As at 31 December 2015, the amounts were interest-free, unsecured and repayable within one year, except for an aggregate amount of HK$1,139,368,000 due to T.C.L. Industries, which bore interest at fixed rates of 0.8441% and 1.9564% and a floating rate of LIBOR + 1.80% per annum, and of which, an amount of HK$7,751,000 was repayable within one year while the remaining HK$1,131,617,000 was repayable in the second year.

24. CASH AND BANK BALANCES AND PLEDGED DEPOSITS

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

At 31 December 2015, the Group had time deposits of HK$80,881,000 pledged as securities for the Group's certain bills payable (note 26).

Included in the Group's cash and bank balances are deposits of HK$2,287,867,000 (2015: HK$1,216,369,000) placed with Finance Company, a financial institution approved by the People's Bank of China. The interest rates for these deposits ranged from 0.420% to 1.380% (2015: from 0.42% to 3.30%) per annum, which were determined with reference to the savings rates offered by the People's Bank of China. Further details of the interest income on the deposits with Finance Company are set out in note 37 to the financial statements.

25. TRADE PAYABLES

	Note	**2016** **HK$'000**	2015 HK$'000
Due to third parties		**4,754,718**	3,752,315
Due to related parties:			
Companies controlled by TCL Corporation	23	**2,308,412**	1,637,355
Associates of TCL Corporation	23	**293,910**	151,150
An associate	23	**16,258**	–
		2,618,580	1,788,505
		7,373,298	5,540,820

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25. TRADE PAYABLES (CONTINUED)

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

	2016 HK$'000	2015 HK$'000
Current to 90 days	**6,974,452**	5,308,227
91 to 180 days	**199,366**	89,545
181 to 365 days	**44,094**	52,823
Over 365 days	**155,386**	90,225
	7,373,298	5,540,820

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

26. BILLS PAYABLE

As at 31 December 2015, certain bills payable of the Group with an aggregate amount of HK$75,986,000 were secured by pledged deposits of the Group (note 24).

27. OTHER PAYABLES AND ACCRUALS

	Notes	**2016 HK$'000**	2015 HK$'000
Other payables	(a)	**2,188,151**	2,407,155
Accruals		**608,176**	607,449
Receipts in advance		**684,808**	480,793
Derivative financial instruments	22(a)	**479**	5,110
Due to companies controlled by TCL Corporation	23	**127,675**	425
Due to T.C.L. Industries	23	**349**	2,985
		3,609,638	3,503,917

Note:

(a) The other payables are non-interest-bearing and are expected to be settled within one year.

28. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2016			2015		
	Contractual interest rate (%)	Maturity	HK$'000	Contractual interest rate (%)	Maturity	HK$'000
Current						
Bank loans – unsecured	1.26 to 2.60	2017	850,549	0.83 to 2.81	2016	1,330,950
Trust receipt loans – unsecured	LIBOR + 0.8	2017	332,551	LIBOR + (0.55 to 1.50)	2016	125,438
Other loans (note 21)	8.00	2017	167,051	–	–	–
Finance lease payables (note 29)	14.60	2017	3,792	14.60	2016	4,049
			1,353,943			1,460,437
Non-current						
Finance lease payables (note 29)	14.60	2018	1,700	14.60	2017–2018	5,071
			1,355,643			1,465,508

28. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

	2016 HK$'000	2015 HK$'000
Analysed into:		
Bank and other loans repayable:		
Within one year or on demand	**1,350,151**	1,456,388
Finance lease repayable:		
Within one year	**3,792**	4,049
In the second year	**1,700**	3,502
In the third year	**–**	1,569
	5,492	9,120
	1,355,643	1,465,508

Notes:

(a) As at 31 December 2016 and 2015, the carrying amounts of the Group's bank and other borrowings approximated to their fair values.

(b) TCL Corporation has guaranteed certain of the Group's bank loans up to HK$100,626,000 (2015: HK$720,850,000) as at the end of the reporting period.

Included in bank and other loans are the following amounts denominated in a currency other than the functional currencies of the entities to which they relate:

	2016 HK$'000	2015 HK$'000
United States dollar	**1,082,473**	1,456,389

29. FINANCE LEASE PAYABLES

The Group leases certain of its furniture, fixtures and equipment and motor vehicles for business use. These leases are classified as finance leases and have a remaining lease term of two years.

At 31 December, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable:				
Within one year	**4,099**	4,376	**3,792**	4,049
In the second year	**2,049**	4,376	**1,700**	3,502
In the third year	**–**	2,187	**–**	1,569
Total minimum finance lease payments	**6,148**	10,939	**5,492**	9,120
Future finance charges	**(656)**	(1,819)		
Total net finance lease payables	**5,492**	9,120		
Portion classified as current liabilities (note 28)	**(3,792)**	(4,049)		
Non-current portion (note 28)	**1,700**	5,071		

30. PROVISIONS

	Restructuring costs	Warranties	Total
	HK$'000	HK$'000	HK$'000
At 1 January 2016	1,867	303,514	305,381
Additional provision	248	234,978	235,226
Amount utilised during the year	(367)	(144,333)	(144,700)
Reversal of unutilised amounts	–	(55,019)	(55,019)
Exchange realignment	1	(9,089)	(9,088)
At 31 December 2016	1,749	330,051	331,800

30. PROVISIONS (CONTINUED)

Warranties

The Group provides warranties ranging from one to three years to its customers on certain of its electronic products, under which faulty products are repaired or replaced. The amount of the provision for the warranties is estimated based on sales volumes and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

Restructuring costs

The restructuring costs were mainly related to the redundancy costs incurred for a streamlined business model.

31. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Notes	Depreciation allowance in excess of related depreciation HK$'000	Fair value adjustments on acquisitions HK$'000	Total HK$'000
At 1 January 2015		12,945	21,781	34,726
Deferred tax credited to profit or loss during the year	10	(2,765)	(3,542)	(6,307)
Exchange realignment		(10)	(268)	(278)
Gross deferred tax liabilities at 31 December 2015 and 1 January 2016		10,170	17,971	28,141
Deferred tax credited to profit or loss during the year	10	(5,893)	(3,365)	(9,258)
Exchange realignment		12	(209)	(197)
Gross deferred tax liabilities at 31 December 2016		4,289	14,397	18,686

31. DEFERRED TAX (CONTINUED)

Deferred tax assets

	Notes	Elimination of unrealised profits arising from intra-group transactions HK$'000	Accruals and other provisions HK$'000	Losses available for offsetting against future taxable profits HK$'000	Fair value adjustment on acquisition HK$'000	Total HK$'000
At 1 January 2015		19,000	7,455	2,563	9,072	38,090
Deferred tax charged to profit or loss during the year	10	(5,000)	(4,505)	(578)	(406)	(10,489)
Exchange realignment		–	(227)	(178)	(1,356)	(1,761)
Gross deferred tax assets at 31 December 2015 and 1 January 2016		14,000	2,723	1,807	7,310	25,840
Deferred tax credited/(charged) to profit or loss during the year	10	2,000	8,479	(292)	(131)	10,056
Exchange realignment		–	(28)	11	(1,150)	(1,167)
Gross deferred tax assets at 31 December 2016		16,000	11,174	1,526	6,029	34,729

The Group has tax losses of HK$4,747,504,000 (2015: 5,171,418,000) that are available for offsetting against future taxable profits of the companies in which the losses arose, subject to certain tax rules of the countries in which the Group operates. Deferred tax assets have not been recognised in respect of these losses as the utilisation of which is uncertain.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

31. DEFERRED TAX (CONTINUED)

As at 31 December 2016, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in the PRC. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in the PRC for which deferred tax liabilities have not been recognised totalled approximately HK$3,837,018,000 at 31 December 2016 (2015: HK$3,645,475,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

32. SHARE CAPITAL

Shares

	2016 **HK$'000**	2015 HK$'000
Authorised:		
2,200,000,000 shares of HK$1.00 each	**2,200,000**	2,200,000
Issued and fully paid:		
1,736,446,305 (2015: 1,386,361,214) shares of HK$1.00 each	**1,736,446**	1,386,361

32. SHARE CAPITAL (CONTINUED)

Shares (continued)

A summary of movements in the Company's issued share capital and share premium account is as follows:

	Notes	Number of shares in issue	Issued capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 January 2015		1,333,598,514	1,333,599	2,745,480	4,079,079
Issue of shares upon exercise of share options	(a)	9,089,266	9,089	34,897	43,986
Shares allotted for the Award Scheme	(b)	43,673,434	43,673	–	43,673
		1,386,361,214	1,386,361	2,780,377	4,166,738
Dividend paid		–	–	(70,108)	(70,108)
At 31 December 2015 and 1 January 2016		1,386,361,214	1,386,361	2,710,269	4,096,630
Issue of shares under a subscription agreement	(c)	348,850,000	348,850	1,918,675	2,267,525
Share issue expenses	(c)	–	–	(311)	(311)
Issue of shares upon exercise of share options	(a)	1,235,091	1,235	4,681	5,916
At 31 December 2016		1,736,446,305	1,736,446	4,633,314	6,369,760

Notes:

(a) During the year ended 31 December 2016, the subscription rights attached to 1,024,000 and 211,091 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 1,235,091 shares of HK$1.00 each for a total cash consideration of HK$3,981,000, before expenses. An amount of HK$1,935,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.

During the year ended 31 December 2015, the subscription rights attached to 2,010,800 and 7,078,466 share options were exercised at the subscription prices of HK$3.60 and HK$3.17 per share, respectively, resulting in the issue of an aggregate of 9,089,266 shares of HK$1.00 each for a total cash consideration of HK$29,678,000, before expenses. An amount of HK$14,308,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.

(b) Details of the shares allotted for the Award Scheme are set out in note (c) of the restricted share award scheme below.

(c) 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. Further details are set out in the Company's announcements dated 11 December 2015, 8 April 2016 and 11 May 2016.

32. SHARE CAPITAL (CONTINUED)

Share options

On 15 February 2007, the Company adopted a share option scheme (the "2007 Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the 2007 Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, advisers, consultants, agents, contractors, suppliers of goods or services to the Group, customers of the Group, the Company's shareholders, any non-controlling shareholder in the Company's subsidiaries and any other person whom the Board at its sole discretion considers may contribute or have contributed to the Group. The 2007 Scheme, unless otherwise cancelled or amended, remained in force for 10 years from the adoption date.

On 18 May 2016, the 2007 Scheme was terminated and a new share option scheme (the "2016 Scheme") was adopted by the shareholders of the Company on the same date. Unless otherwise cancelled or amended, the 2016 Scheme will remain in force for 10 years from that date. As a result, the Company can no longer grant any further options under the 2007 Scheme. However, all options granted prior to the termination of the 2007 Scheme will remain in full force and effect. The 2007 Scheme and 2016 Scheme are collectively known as (the "Schemes").

The 2016 Scheme mainly refined the definition of "any other person" in the eligible participants of 2007 Scheme to employees and officers of TCL Corporation and its affiliated companies.

The purpose of the Schemes is to recognise the contribution of eligible participants, to motivate them by providing incentives to them, to help the Company retain its existing full-time or part-time employees (including any executive and non-executive director or proposed executive and non-executive director) of the Company and its subsidiaries and recruit additional employees and to provide them with a direct economic interest in attaining the long term business objectives of the Company.

Pursuant to the 2016 Scheme and subject to shareholders' approval, the maximum number of shares in respect of which options may be granted under the 2016 Scheme is such a number of shares representing 10% of the issued share capital of the Company from time to time (excluding for this purpose any shares which have been duly allotted and issued pursuant to the Schemes and any other scheme).

The maximum number of shares in respect of which options may be granted to any one participant in a 12-month period shall not exceed 1% (0.1% for connected persons) of the issued share capital of the Company. The offer of a grant of share options may be accepted upon payment of a nominal consideration of HK$1.00 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences on a specified date and ends on a date which is not later than ten years from the date of offer of the share options. The subscription price for the shares in respect of which options are granted is determinable by the directors, but may not be less than the highest of (i) the closing price of the Company's shares on the Hong Kong Stock Exchange on the date of offer; (ii) the average closing price of the Company's shares on the Hong Kong Stock Exchange for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the Company's shares.

32. SHARE CAPITAL (CONTINUED)

Share options (continued)

The following share options were outstanding under the Scheme during the year:

	2016 Weighted average exercise price per share HK$	2016 Number of options '000	2015 Weighted average exercise price per share HK$	2015 Number of options '000
At 1 January	3.743	175,898	3.231	15,020
Granted during the year	4.500	15,107	3.788	179,221
Forfeited during the year	3.795	(18,720)	4.255	(9,136)
Expired during the year	–	–	3.600	(118)
Exercised during the year	3.223	(1,235)	3.265	(9,089)
At 31 December	3.808	171,050	3.743	175,898

The weighted average share price at the date of exercise for share options exercised during the year ended 31 December 2016 was HK$4.790 per share (2015: HK$5.436 per share).

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2016

Number of options '000	Exercise price* per share HK$	Exercise period
4,788	3.17	Note 1
38,170	4.60	Note 2
113,534	3.48	Note 3
14,558	4.50	Note 4
171,050		

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32. SHARE CAPITAL (CONTINUED)

Share options (continued)

2015

Number of options '000	Exercise price* per share HK$	Exercise period
5,812	3.17	Note 1
42,941	4.60	Note 2
127,145	3.48	Note 3
175,898		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

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

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

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

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

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

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

The fair value of the share options granted during the year was 29,428,000 (approximately HK$1.948 each) (the fair value of the two batches of share options granted during 2015 were HK$90,993,000 and HK$192,925,000 (approximately HK$1.847 each and HK$1.484 each), respectively), of which the Group recognised a share option expense of HK$8,331,000 (2015: HK$53,788,000) in respect of the share options granted to employees of the Group and recognised other receivables of HK$3,003,000 (2015: HK$3,030,000) in respect of the share options granted to the employees of TCL Corporation on its behalf, during the year ended 31 December 2016.

32. SHARE CAPITAL (CONTINUED)

Share options (continued)

During the year ended 31 December 2016, the Group also recognised a share option expense of HK$98,249,000 (2015: Nil) and other receivables of HK$2,482,000 (2015: Nil) in respect of the share options granted to the employees of the Group and employees of TCL Corporation on its behalf, respectively, in the prior years.

The fair value of equity-settled share options granted during the year was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the years ended 31 December 2016 and 2015:

	2016	2015
Dividend yield (%)	0.00 per annum	1.09 – 2.18 per annum
Expected volatility (%)	51.97 per annum	51.95 – 54.49 per annum
Risk-free interest rate (%)	1.515 per annum	1.459 – 1.787 per annum
Expected life of options (year)	6	6

The expected life of the options is based on the historical data over the past five years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

The 1,235,091 share options exercised during the year resulted in the issue of 1,235,091 ordinary shares of the Company and additional share capital of HK$1,235,000 and share premium of HK$4,681,000.

At the end of the reporting period, the Company had 171,049,918 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 171,049,918 additional ordinary shares of the Company and additional share capital and share premium amounts of approximately HK$171,050,000 and HK$480,320,000, respectively.

Restricted share award scheme

On 6 February 2008 (the "Adoption Date"), the Board approved a restricted share award scheme (the "Award Scheme") under which shares of the Company (the "Awarded Shares") may be awarded to selected employees (the "Selected Employees") in accordance with the provisions of the Award Scheme and the maximum number of the Awarded Shares awarded to the Selected Employees under the Award Scheme shall not exceed 1% of the issued share capital of the Company as at the Adoption Date.

Pursuant to the Award Scheme, the Board shall select the Selected Employees and determine the number of shares to be awarded. The Board shall pay BOCI-Prudential Trustee Limited (the "Trustee"), the trustee engaged by the Company for the purpose of administrating the Award Scheme, the purchase price and the related expenses from the Company's resources for the shares to be purchased by the Trustee. The Trustee shall purchase from the market such a number of shares awarded as specified by the Board and shall hold such shares until they are vested in accordance with the rules of the Award Scheme.

32. SHARE CAPITAL (CONTINUED)

Restricted share award scheme (continued)

Upon adoption of the Award Scheme, the Board also resolved to provide a total amount not exceeding HK$50 million to the Trustee for the purchase of the Awarded Shares to be awarded to certain current employees of the Group as a recognition of their contribution to the Group and an incentive to retain them for the continual operation and development of the Group.

On 21 April 2008, the shareholders had further approved the Board to implement the Award Scheme to its full extent (i.e. to provide further funds, in addition to the HK$50 million as mentioned in the preceding paragraph, to the Trustee in accordance with the terms of the Award Scheme for purchase of the Awarded Shares of an amount up to 10% of the issued share capital of the Company as at the Adoption Date).

On 11 August 2015 (the "Amendment Date"), the Award Scheme was amended and approved by the shareholders.

The major amendments to the Award Scheme are as follows:

1. The scope of the eligible participants of the Award Scheme was broadened from the Selected Employees to include not only the Selected Employees but also (i) advisers, consultants, agents, contractors, clients or suppliers of any member of the Group; and (ii) employees or officers of the affiliated companies whom the Board in its sole discretion considers may contribute or have contributed to the Group (collectively the "Selected Persons");

2. As an alternative to the purchase of existing shares on the market for any awards made under the Award Scheme, the Board may allot and issue new shares as Awarded Shares and has the discretion to decide whether the Awarded Shares are the existing shares to be purchased by the Trustee or new shares to be allotted and issued to the Trustee;

3. The Selected Persons shall also be entitled to the related distribution derived from the relevant Awarded Shares, which mainly covers dividend paid by the Company in respect of the Awarded Shares concerned distributed during the period from the grant date to the vesting date of the Awarded Shares. The Awarded Shares shall however only be vested on the relevant Selected Persons on the vesting date subject to fulfilment of the vesting conditions;

4. The Company may be obliged to pay the taxes and levies on behalf of the Selected Persons at the time when the liabilities arise and has the discretion to deduct from such number of Awarded Shares entitled by the relevant Selected Persons certain number of the Awarded Shares which is sufficient to cover the relevant liabilities of such taxes and levies as reimbursement. The Awarded Shares so deducted will become returned shares, which will be held by the Trustee and may be awarded as Awarded Shares pursuant to the Award Scheme.

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32. SHARE CAPITAL (CONTINUED)

Restricted share award scheme (continued)

5. The maximum aggregate number of shares awarded by the Board under the Award Scheme was amended from ten percent (10%) of the issued share capital of the Company as at the Adoption Date to ten percent (10%) of the issued share capital of the Company as at the Amendment Date, excluding all the shares awarded under the rules of the pre-amended Award Scheme up to the Amendment Date; and

6. The duration of the Award Scheme was amended to 15 years from the Adoption Date, i.e. continue in force until 2023.

The following Awarded Shares were outstanding during the year:

	2016 Number of Awarded Shares '000	2015 Number of Awarded Shares '000
At 1 January		
– Number of Awarded Shares held by the Trustee	**54,822**	17,648
– Number of Awarded Shares granted but not vested	**41,266**	7,078
– Number of Awarded Shares available for grant	**93,065**	11,037
At 31 December		
– Number of Awarded Shares held by the Trustee	**83,380**	54,822
– Number of Awarded Shares granted but not vested	**31,215**	41,266
– Number of Awarded Shares available for grant	**95,843**	93,065
Granted during the year (note a)	**1,695**	45,332
– Grant using existing Shares	**1,695**	1,659
– Grant using new Shares	**–**	43,673
Lapsed during the year	**4,473**	4,266
Vested during the year	**7,273**	6,878
Purchased during the year (note b)	**34,402**	–
Allotted and issued during the year (note c)	**–**	43,673
Individual Income Tax paid on behalf of the Selected Persons during the year (note d)	**1,429**	379

32. SHARE CAPITAL (CONTINUED)

Restricted share award scheme (continued)

Notes:

(a) For the year ended 31 December 2016, 378,498 (2015: 43,673,434) Awarded Shares were granted to the Selected Employees and 1,316,931 (2015: 1,658,873) Awarded Shares were granted to the Selected Persons of TCL Corporation on its behalf. The fair value of the Awarded Shares on the date of grant was HK$7,629,000 (HK$4.500 per share) (2015: HK$181,329,000 (HK$4.000 per share)), of which the Group recognised employee share-based compensation benefits under the Award Scheme of HK$596,000 (2015: HK$42,480,000) in respect of the Awarded Shares granted to the Selected Employees and recognised other receivables of HK$3,100,000 in respect of the Awarded Shares granted to the Selected Persons of TCL Corporation on its behalf (2015: HK$3,367,000).

During the year ended 31 December 2016, the Group also recognised employee share-based compensation benefits under the Award Scheme of HK$50,885,000 (2015: Nil) in respect of the Awarded Shares granted to employees of the Group and recognised other receivables of HK$2,073,000 (2015: Nil) in respect of the Awarded Shares granted to the employees of TCL Corporation on its behalf in prior years.

(b) For the year ended 31 December 2016, the Trustee purchased 34,402,000 Awarded Shares at a total cost (including transaction costs) of HK$153,270,000. No Awarded Shares had been purchased by the Trustee for the year ended 31 December 2015.

(c) For the year ended 31 December 2015, 43,673,434 Awarded Shares were allotted and issued to the Trustee at par value. No Awarded Shares were allotted and issued to the Trustee at par value for the year ended 31 December 2016.

(d) For the year ended 31 December 2016, tax has been paid by the Group on behalf of certain Selected Persons whose rights were vested in the Awarded Shares and 1,428,893 (2015: 378,864) Awarded Shares were deducted from the total number of Awarded Shares entitled to be vested to those Selected Persons, as the settlement for the Individual Income Tax paid by the Group on their behalf.

33. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 107 and 108.

(i) Share option reserve

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire after the vesting period.

(ii) Capital reserve

The Group's capital reserve represented the excess of the nominal value of the shares of the subsidiaries acquired prior to the listing of the Company's shares over the nominal value of the Company's shares issued in exchange therefor as well as the difference between the amounts of consideration and the carrying values of non-controlling interests acquired or disposed of.

33. RESERVES (CONTINUED)

(iii) Reserve funds

Pursuant to the relevant laws and regulations in the PRC, a portion of the profits of the Group's subsidiaries in the PRC has been transferred to the reserve funds which are restricted to use.

(iv) Awarded share reserve

The awarded share reserve represents the excess of the fair value of the Awarded Shares over the total cost (including related transaction costs) of the Awarded Shares awarded and vested to the Selected Employees at the date of award.

(v) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net gain or loss on the hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flows in accordance with the accounting policy adopted for cash flow hedges.

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Disposal of subsidiaries

Year ended 31 December 2016

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 of 80% of its 100% equity interest in Million China International Holdings Limited ("Million China") to Barn Holding Pte. Limited for a consideration of approximately RMB45,227,000 (equivalent to approximately HK$53,458,000), 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.

The English name of this company is not official and is a direct translation from its Chinese name for identification purposes only

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(a) Disposal of subsidiaries (continued)

Year ended 31 December 2016 (continued)

	2016 HK$'000
Net assets disposed of:	
Prepaid land lease payments (note 14)	55,197
Cash and bank balances	5,078
Other receivables	38
	60,313
Release of exchange fluctuation reserve	4,369
Gain on disposal of subsidiaries (note 7)	839
	65,521
Satisfied by:	
Cash	53,458
Fair value of the remaining interest in Million China	12,063
	65,521

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2016 HK$'000
Cash consideration	53,458
Cash and bank balances disposed of	(5,078)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	48,380

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(a) Disposal of subsidiaries (continued)

Year ended 31 December 2015

During the prior year, the Group disposed of its 100% equity interest in Charter Joy Investments Limited ("Charter Joy"), together with the related shareholders' loan of approximately HK$194,712,000, to Active Industries International Limited, an associate of T.C.L. Industries, for a consideration of RMB163,129,000 (equivalent to approximately HK$194,712,000) (the "Disposal"). Charter Joy is an investment holding company and its subsidiary, Chengdu Legao Shidai Industries Co., Ltd.#, held a land use right and certain buildings in Chengdu. The Disposal was completed on 14 December 2015.

	2015 HK$'000
Net assets disposed of:	
Property, plant and equipment (note 13)	57,523
Prepaid land lease payments (note 14)	9,859
Cash and bank balances	3,180
Prepayments	2,341
Other payables and accruals	(114)
	72,789
Release of exchange fluctuation reserve	(1,236)
Gain on disposal of subsidiaries (note 7)	123,159
	194,712
Satisfied by:	
Cash	194,712

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2015 HK$'000
Cash consideration	194,712
Cash and bank balances disposed of	(3,180)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	191,532

The English name of this company is not official and is a direct translation from its Chinese name for identification purposes only

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Liquidation of subsidiaries

Year ended 31 December 2016

Braviar Holdings Limited, TTE (Mexico) Holdings Limited and TCL Digital Technology (Huizhou) Company Limited, all being wholly-owned subsidiaries of the Group, were wound-up voluntarily during the year.

	HK$'000
Release of exchange fluctuation reserve upon liquidation	4,952
Loss on liquidation of subsidiaries (note 7)	(4,952)
	–
Net outflow of cash and cash equivalents in respect of the liquidation of subsidiaries	–

Year ended 31 December 2015

TCL Eletronicos de Brasil Ltda., TCL Thomson Electronics Singapore Pte. Ltd. and TCL Electronics (Singapore) Pte. Ltd., all being wholly-owned subsidiaries of the Group, were wound-up voluntarily during the prior year.

	HK$'000
Release of exchange fluctuation reserve upon liquidation	(1,140)
Gain on liquidation of subsidiaries (note 7)	1,140
	–
Net outflow of cash and cash equivalents in respect of the liquidation of subsidiaries	–

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35. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its office properties and factories under operating lease arrangements. These leases are negotiated for terms ranging from one to five years.

As at the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2016 **HK$'000**	2015 HK$'000
Within one year	**63,132**	81,756
In the second to fifth years, inclusive	**119,163**	147,245
	182,295	229,001

36. COMMITMENTS

In addition to the operating lease commitments detailed in note 35 above, the Group had the following capital commitments at the end of the reporting period:

	2016 **HK$'000**	2015 HK$'000
Contracted, but not provided for:		
Capital contribution payable to joint ventures	**16,436**	20,858
Capital contribution payable to an associate	**59,254**	–
	75,690	20,858
Authorised, but not contracted for:		
Land and buildings	**253,075**	285,522
	328,765	306,380

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37. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Notes	2016 HK$'000	2015 HK$'000
A joint venture:			
Sales of finished goods	(i)	193,170	191,692
After-sales service income	(ii)	542	555
Interest income	(iii)	101	–
TCL Corporation:			
Other finance service fees	(iv)	–	1,810
T. C.L. Industries:			
Interest expense	(v)	25,424	6,334
Associates:			
Interest income	(vi)	13,397	32,128
Interest expense	(vii)	851	2,244
Other finance service fees	(iv)	7,439	22,563
Purchase of raw materials	(x)	70,420	–
Sales of finished goods	(i)	76,467	–
Companies controlled by TCL Corporation:			
Sales of raw materials	(viii)	75,033	60,568
Sales of finished goods	(i)	2,836,116	3,121,548
Purchases of raw materials	(x)	8,726,273	5,415,624
Purchases of finished goods	(x)	51,018	1,487,243
Subcontracting fee expense	(ix)	–	1,265
Subcontracting income	(xi)	686	515
Rental, maintenance fees and facilities usage fees	(xii)	9,947	12,306
Rental expense and license fee	(xiii)	4,552	2,399
Reimbursement of brand advertising costs	(xiv)	315,370	431,952
Logistics service fee expense	(xv)	199,778	264,645
Fitting out fee	(xvi)	13,026	–
Reimbursement of research and development and rental expenses	(xvii)	59,503	70,062
After-sales service income	(ii)	14,844	28,952
After-sales service fee	(xviii)	279,610	246,095
Internet television service income	(xix)	3,829	2,210
Payment gateway service fee	(xx)	133	68

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) (continued)

	Notes	2016 HK$'000	2015 HK$'000
Associates of TCL Corporation:			
Purchases of raw materials	(x)	750,738	460,503
Sales of raw materials	(viii)	508	1,537
Logistics services fee expense	(xv)	147,685	–
Subcontracting fee expense	(ix)	–	112
Rental income	(xii)	887	–
Service fee expense	(xxi)	43,780	44,920
Content income	(xxi)	5,466	2,914
A substantial shareholder and its affiliates:			
Sales of finished goods	(i)	1,129,717	–
Purchases of raw materials	(x)	334,320	–
Factoring charge and interest	(xxii)	739	–

Notes:

(i) The sales of finished goods were made by reference to the prevailing market prices.

(ii) The after-sales service income was determined with reference to the rates of other similar services and the amount of general after-sales service expenses of the Group in the past.

(iii) The interest was charged at a rate of 5.00% per annum.

(iv) The other finance service fees were determined with reference to the rates of other similar services provided by third party companies.

(v) The interest was charged at rates ranging from 0.84% to 1.96% and LIBOR + 1.80% (2015: from 0.84% to 3.33% and LIBOR + 1.80%) per annum.

(vi) The interest was charged at rates ranging from 0.42% to 1.38% (2015: from 0.42% to 3.30%) per annum, which were determined with reference to the savings rates quoted by the People's Bank of China.

(vii) The interest was charged at rates ranging from 1.04% to 4.79% (2015: from 1.33% to 4.79%) per annum.

(viii) The sales of raw materials were made at gross margins ranging from 4.98% to 50.66% (2015: 14.62% to 21.24%).

(ix) The subcontracting fee expense was determined with reference to subcontracting fees charged by third party companies offering similar services.

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) (continued)

Notes: (continued)

(x) The purchases of raw materials and finished goods were made at prices similar to those set by independent third party suppliers or at cost plus a mark-up of 0.3% to the related parties .

(xi) The subcontracting income was determined with reference to the rates of similar services provided to other third party companies.

(xii) The rental, maintenance fees and facilities usage fees were determined with reference to the rates of other similar premises.

(xiii) The rental expense was charged at rates ranging from RMB27 to RMB79 (2015: from RMB26 to RMB81) per square metre. The licence fee was charged at a rate of HK$28 (2015: Nil) per square feet.

(xiv) Reimbursement of brand advertising costs incurred by TCL Corporation was made based on 2.0% (2015: 2.1%) of the aggregate net sales of TV products using TCL A brand and TCL B brand and 0.25% (2015: 0.27%) of the aggregate net sales of TV products of OEM brands, as defined in the Master TCL Trademark License (2014 Renewal) Agreement.

(xv) The logistics service fee was determined with reference to the rates of other similar services provided by other third party companies.

(xvi) The fitting out fee was determined with reference to the rates of other similar services provided by other third party companies.

(xvii) The research and development expenses represent human resource costs allocated to the Group in respect of personnel of companies controlled by TCL Corporation. The rental expenses were determined with reference to the rates of other similar premises.

(xviii) The after-sales service fee was calculated and charged at a percentage of the sales revenue (capped at 2%) of certain TV products in the PRC market.

(xix) The internet service income was calculated and charged at a rate of 15% (2015: 15%) of net income of video-on-demand services of live televisions or at rates ranging from 5% to 30% (2015: 5% to 30%) of aggregate unit price of video-on-demand services of movies.

(xx) The service fee was charged within the range of 0.38% to 0.78% (2015: 0.38% to 0.78%) of the amount of payment made by the end customers to the Group or nil to RMB26 (2015: nil to RMB26), whichever is lower, for each electronic payment process handled by the related party.

(xxi) The service fee expense of the internet television software was charged at agreed rates between the parties and at rates ranging from RMB3 to RMB12 (2015: RMB3 to RMB12) for each internet television in the PRC. Content income was shared equally between the Group and the related party.

(xxii) The factoring charge and interest was charged at a rate of 2.00% and 8.00% per annum, respectively.

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Other material transactions with related parties:

(i) On 1 and 2 November 2016, the Group entered into factoring contracts with a company controlled by a substantial shareholder for the factoring arrangement on trade receivables with aggregated amount of RMB149,411,000 (equivalent to HK$179,293,000). Further details are set out in the Company's announcement dated 23 December 2016.

(ii) On 14 December 2015, the Group disposed of its 100% equity interest in Charter Joy and the related shareholders' loan of approximately HK$194,712,000 to an associate of T.C.L. Industries for a consideration of RMB163,129,000 (equivalent to approximately HK$194,712,000). Further details of the Disposal are set out in note 34(a) to the financial statements.

(c) Details of compensation of key management personnel of the Group are set out in notes 8 and 9 to the financial statements.

Except for the transactions with a joint venture and certain associates of the Group and TCL Corporation included in note 37(a), all the above transactions in note 37 also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans, other interest-bearing borrowings, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group also enters into derivative transactions including principally forward currency contracts. The purpose is to manage the currency risks arising from the Group's operations and its sources of finance. It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

Management has assessed that the fair values of cash and bank balances, pledged deposits, trade and bills receivables, trade and bills payables, financial assets included in other receivables, the current portion of interest-bearing bank and other borrowings, financial liabilities included in other payables and accruals and amounts due to T.C.L. Industries approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the financial controller. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates.

In general, the Group's treasury department (the "Group Treasury") implements all external financings to meet the borrowing needs of all subsidiaries. In some cases, subsidiaries may borrow directly from local banks upon approval from the Group Treasury in advance. At subsidiary level, financing is generally done on a short term floating rate basis. Long term financings are normally done at Group level.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings). There is no material impact on other components of the Group's equity.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax HK$'000
2016		
United States dollar	**(25)**	**831**
United States dollar	**25**	**(831)**
2015		
United States dollar	(25)	2,251
United States dollar	25	(2,251)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. In addition, certain bank loans were denominated in currencies other than the functional currencies of the entities to which they relate. The Group takes rolling forecast on the foreign currency revenue and expenses and matches the currency and the amount incurs, so as to alleviate the impact on business due to exchange rate fluctuations. The Group uses forward currency contracts to reduce the foreign currency exposures.

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38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk (continued)

It is the Group's policy to negotiate the terms of the hedging instruments to match the terms of the hedged items to maximise hedge effectiveness.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rates of currencies other than the functional currencies of the relevant operating units, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities). There is no material impact on other components of the Group's equity.

	Increase/ (decrease) in exchange rates %	Increase/ (decrease) in profit before tax HK$'000
2016		
If Hong Kong dollar weakens against United States dollar	5	(14,885)
If Hong Kong dollar weakens against Euro	5	(920)
If Hong Kong dollar weakens against Renminbi	5	(910)
If Renminbi weakens against United States dollar	5	(47,561)
If Macau Pataca weakens against United States dollar	5	1,226
If Hong Kong dollar strengthens against United States dollar	(5)	14,885
If Hong Kong dollar strengthens against Euro	(5)	920
If Hong Kong dollar strengthens against Renminbi	(5)	910
If Renminbi strengthens against United States dollar	(5)	47,561
If Macau Pataca strengthens against United States dollar	(5)	(1,226)
2015		
If Hong Kong dollar weakens against United States dollar	5	(101,804)
If Renminbi weakens against United States dollar	5	(50,687)
If Macau Pataca weakens against United States dollar	5	3,881
If Macau Pataca weakens against Euro	5	10,611
If Hong Kong dollar strengthens against United States dollar	(5)	101,804
If Renminbi strengthens against United States dollar	(5)	50,687
If Macau Pataca strengthens against United States dollar	(5)	(3,881)
If Macau Pataca strengthens against Euro	(5)	(10,611)

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit checking procedures. In addition, receivable balances are monitored on an ongoing basis.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, available-for-sale financial assets and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty or by geographical region. There is no significant concentration of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables are disclosed in notes 21 and 22, respectively, to the financial statements.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g. trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and other interest-bearing borrowings.

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38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	2016			
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years HK$'000	Total HK$'000
Interest-bearing bank and other borrowings	1,355,867	–	–	1,355,867
Finance lease payables	4,099	2,049	–	6,148
Trade payables	7,373,298	–	–	7,373,298
Bills payable	1,002,284	–	–	1,002,284
Other payables	2,316,654	–	–	2,316,654
	12,052,202	2,049	–	12,054,251

	2015			
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years HK$'000	Total HK$'000
Interest-bearing bank and other borrowings	1,462,084	–	–	1,462,084
Finance lease payables	4,376	4,376	2,187	10,939
Trade payables	5,540,820	–	–	5,540,820
Bills payable	1,656,855	–	–	1,656,855
Other payables	2,415,675	–	–	2,415,675
Due to T.C.L. Industries	7,785	1,174,659	–	1,182,444
	11,087,595	1,179,035	2,187	12,268,817

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38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2016 and 2015.

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital. The Group's policy is to maintain the gearing ratio not exceeding 100%. Net debt is calculated as a total of interest-bearing bank and other borrowings, interest-bearing amounts due to T.C.L. Industries, less cash and bank balances and pledged deposits. Total capital refers to equity attributable to owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

	Notes	**2016** **HK$'000**	2015 HK$'000
Interest-bearing bank and other borrowings	28	**1,355,643**	1,465,508
Due to T.C.L. Industries	23	**–**	1,139,368
Less: Cash and bank balances		**(3,882,361)**	(2,214,927)
Pledged deposits		**–**	(80,881)
Net debt		**(2,526,718)**	309,068
Equity attributable to owners of the parent		**6,452,445**	4,296,586
Gearing ratio		**N/A**	7.2%

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	13,026	–
Investments in an associate	19,571	–
Investments in subsidiaries	1,305,712	1,184,028
	1,338,309	1,184,028
CURRENT ASSETS		
Due from subsidiaries	3,603,362	1,501,928
Other receivables	25,924	18,096
Cash and bank balances	1,465	8,956
Total current assets	3,630,751	1,528,980
CURRENT LIABILITIES		
Other payables and accruals	10,452	9,924
Total current liabilities	10,452	9,924
NET CURRENT ASSETS	3,620,299	1,519,056
TOTAL ASSETS LESS CURRENT LIABILITIES	4,958,608	2,703,084
Net assets	4,958,608	2,703,084
EQUITY		
Issued capital	1,736,446	1,386,361
Reserves	3,222,162	1,316,723
Total equity	4,958,608	2,703,084

LI Dongsheng
Director

BO Lianming
Director

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserves is as follows:

	Share premium account HK$'000	Share option reserve$^{\Delta}$ HK$'000	Capital reserve[#] HK$'000	Shares held for the Award Scheme HK$'000	Awarded share reserve* HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2015	2,745,480	23,830	738,936	(52,172)	22,234	(2,093,249)	1,385,059
Total comprehensive loss for the year	–	–	–	–	–	(100,785)	(100,785)
Equity-settled share option arrangements	–	56,818	–	–	–	–	56,818
Share options forfeited during the year	–	(170)	–	–	–	–	(170)
Issue of shares upon exercise of share options (note 32)	34,897	(14,308)	–	–	–	–	20,589
Employee share-based compensation benefits under the Award Scheme (note 32)	–	–	–	–	45,847	–	45,847
Vesting of shares under the Award Scheme	–	–	–	18,441	4,705	–	23,146
Shares allotted for the Award Scheme	–	–	–	(43,673)	–	–	(43,673)
Final 2014 dividend paid	(70,108)	–	–	–	–	–	(70,108)
At 31 December 2015 and 1 January 2016	2,710,269	66,170	738,936	(77,404)	72,786	(2,194,034)	1,316,723
Total comprehensive loss for the year	–	–	–	–	–	(26,177)	(26,177)
Equity-settled share option arrangements	–	112,065	–	–	–	–	112,065
Issue of shares under a subscription agreement	1,918,675	–	–	–	–	–	1,918,675
Issue of shares upon exercise of share options (note 32)	4,681	(1,935)	–	–	–	–	2,746
Share issue expenses	(311)	–	–	–	–	–	(311)
Employee share-based compensation benefits under the Award Scheme (note 32)	–	–	–	–	56,654	–	56,654
Vesting of shares under the Award Scheme	–	–	–	12,360	(17,303)	–	(4,943)
Purchase of shares for the Award Scheme	–	–	–	(153,270)	–	–	(153,270)
At 31 December 2016	4,633,314	176,300	738,936	(218,314)	112,137	(2,220,211)	3,222,162

Δ The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire after the vesting period.

The capital reserve arose as a result of the Group reorganisation in 1999 and represents the excess of the fair value of the shares of the subsidiaries acquired over the nominal value of the Company's shares issued in exchange therefor.

* The awarded share reserve represents the excess of the fair value of the Awarded Shares over the total cost (including related transaction costs) of the Awarded Shares awarded and vested to the Selected Persons at the date of award.

40. COMPARATIVE AMOUNTS

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

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 21 March 2017.

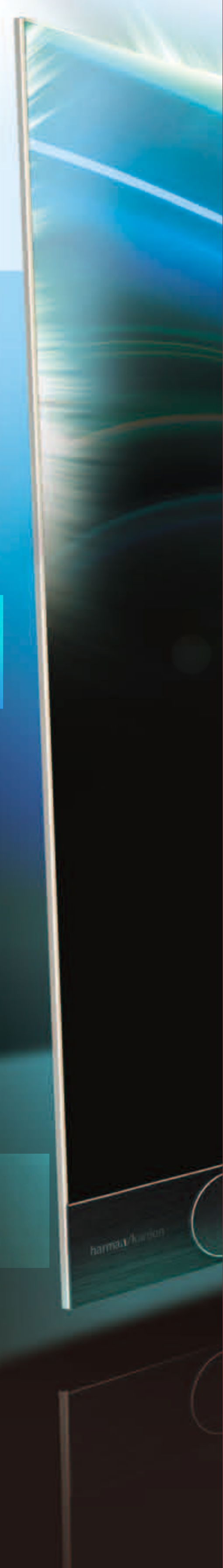
Five Year Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and reclassified/re-presented as appropriate, is set out below.

	Year ended 31 December				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
CONTINUING OPERATIONS					
TURNOVER	**33,361,250**	34,016,833	33,526,265	39,494,703	36,025,004
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	**201,206**	37,179	393,459	33,026	883,496
Income tax	**(24,428)**	(27,039)	(147,126)	(155,949)	(57,121)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**176,778**	10,140	246,333	(122,923)	826,375
DISCONTINUED OPERATION					
Profit for the year from discontinued operation	**–**	–	–	88,722	95,162
PROFIT/(LOSS) FOR THE YEAR	**176,778**	10,140	246,333	(34,201)	921,537
Profit/(loss) attributable to:					
Owners of the parent	**182,764**	25,811	234,499	(48,075)	910,916
Non-controlling interests	**(5,986)**	(15,671)	11,834	13,874	10,621
	176,778	10,140	246,333	(34,201)	921,537

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**20,309,390**	18,178,191	21,482,316	22,155,505	28,019,739
Total liabilities	**(13,753,045)**	(13,769,461)	(16,876,138)	(17,673,124)	(23,027,894)
Non-controlling interests	**(103,900)**	(112,144)	(137,049)	(124,095)	(226,598)
	6,452,445	4,296,586	4,469,129	4,358,286	4,765,247



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