TCL MULTIMEDIA TECHNOLOGY HOLDINGS LIMITED

Stock code: 01070

The Creative Life

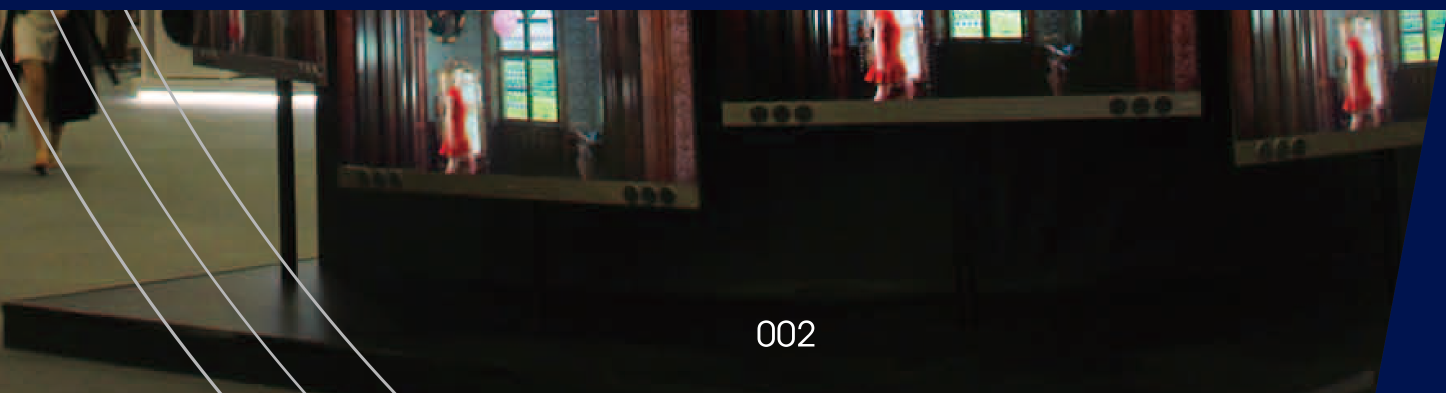
Annual Report 2017

创意感动生活

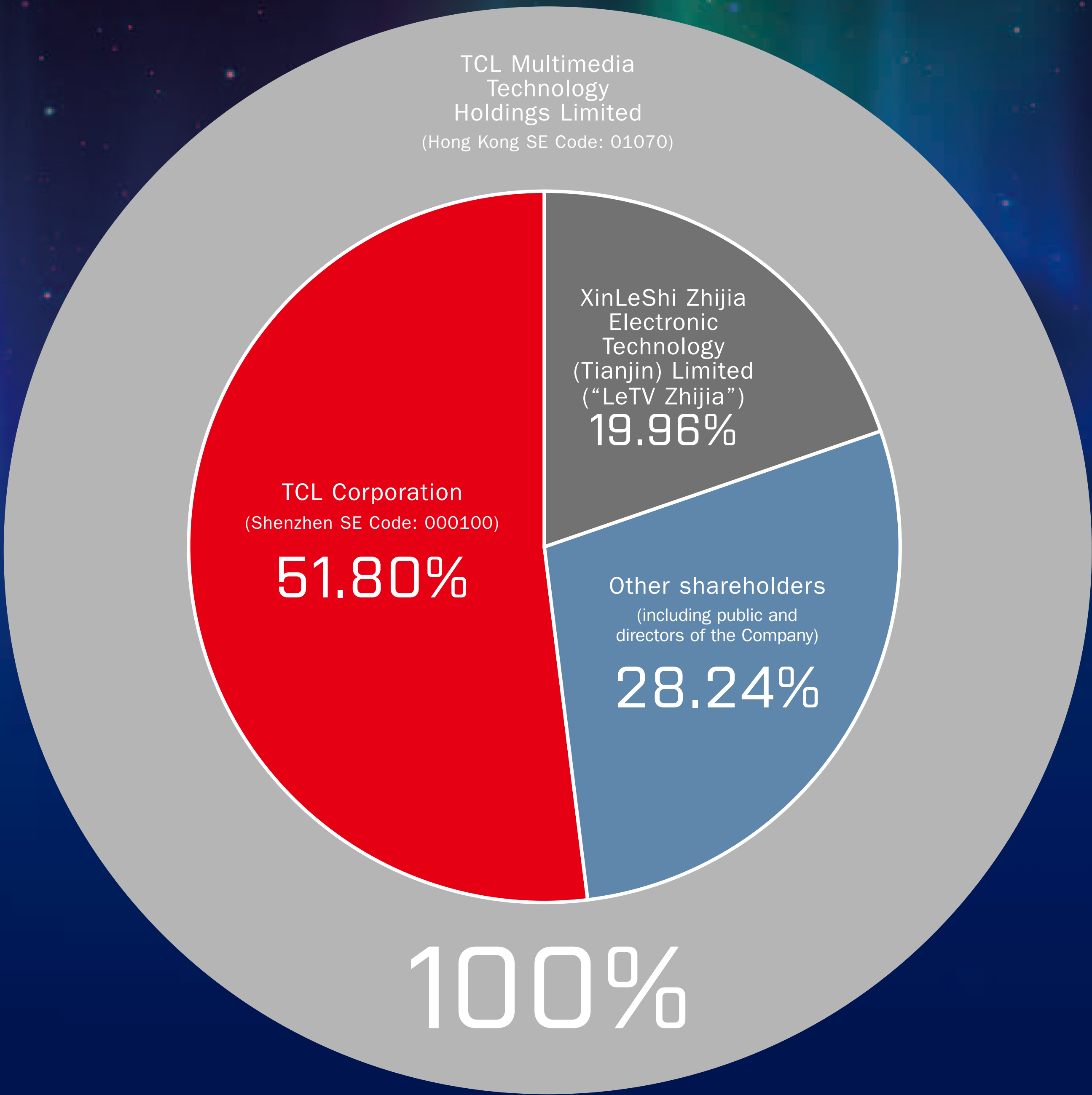
The Creative Life

Contents

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. TCL Corporation ("TCL Corporation") is the ultimate controlling company of the Company.



Corporate Structure



Note: The above percentage of shareholding is as at 31 December 2017

FEB

- The principal place of business of the Company in Hong Kong was changed to 7th Floor, Building 22E, 22 Science Park East Avenue, Hong Kong Science Park, Shatin, New Territories, Hong Kong with effect from 20 February 2017

MAR

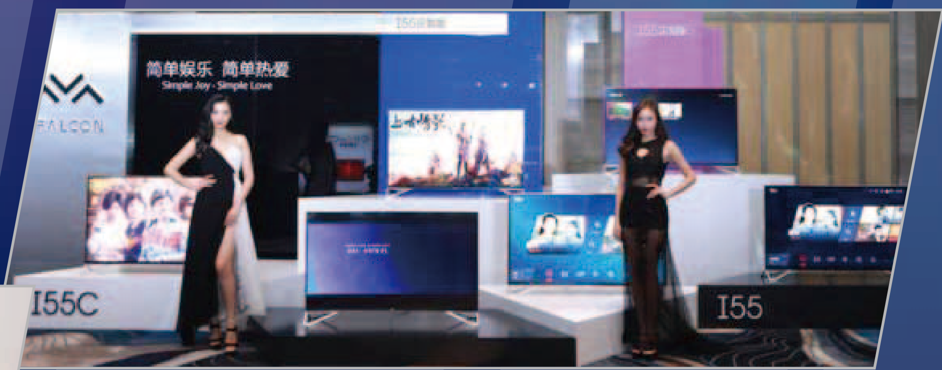
- Hosted the TCL 2017 Spring New Product Launch in Beijing, and unveiled its new flagship TV products, third generation high-end quantum dots TV XESS X2 and X3 series, C2 Theater TV and P3 golden curved TV. It also shared the grand debut of the new internet brand "FFALCON" and four of its new I series products

APR

- Mr. Winston Shao-min CHENG has resigned as a non-executive director of the Company with effect from 7 April 2017
- Mr. LIU Hong has been appointed as a non-executive director of the Company with effect from 7 April 2017

JUL

- The Company issued a "Positive Profit Alert" for its 2017 Interim Results
- Released its Interim Results and announced to restart its dividend since 2014
- The Group together with Tencent Digital (Shenzhen) Company Limited (騰訊數碼(深圳)有限公司, "Tencent Digital") held a strategic cooperation presentation in Shenzhen, the PRC. The parties jointly agreed to make capital contribution of RMB30 million and RMB450 million, respectively, to Shenzhen Thunderbird Network Technology Company Limited ("Thunderbird Technology") a then subsidiary of the Group. After the completion of the capital increase, Tencent Digital acquired 16.67% of interest in Thunderbird Technology, being the second largest shareholder



AUG

- Announced to collaborate with HKU, HKUST and CUHK on R&D, launch OLED laboratory and develop Artificial Intelligence (A.I.) high-end technologies

SEP

- Mr. LI Dongsheng has resigned as the Chairman and an executive director of the Company with effect from 22 September 2017; on the same date, Mr. LI has been appointed as the strategic development consultant of the Company (the Company announced on 2 March 2018 that Mr. LI has been appointed as an executive director of the Company, the Chairman of the Board and the Chairman of the strategy committee of the Company; at the same time, Mr. LI has resigned as the strategic development consultant of the Company with effect from 2 March 2018)
- Mr. BO Lianming has been appointed as the Chairman of the Company with effect from 22 September 2017; at the same time, Mr. BO has tendered his resignation as the CEO of the Company with effect from 1 October 2017 (the Company announced on 2 March 2018 that Mr. BO has resigned as an executive director of the Company, the Chairman of the Board and the Chairman of the strategy committee of the Company; on the same date, Mr. BO has been appointed as a consultant to TCL Corporation with effect from 2 March 2018)
- Mr. WANG Cheng Kevin has been appointed as an executive director of the Company with effect from 22 September 2017; at the same time, Mr. WANG Cheng Kevin has also been appointed as the CEO of the Company with effect from 1 October 2017
- Ms. XU Fang has resigned as an executive director of the Company and a member of the remuneration committee of the Company with effect from 22 September 2017

SEP

- Launched three new X/C/P television series, of which the X6 XESS Private Theatre received the "Quantum Dot Technology Gold Award" at the IFA Product Technical Innovation Award in Germany. The accolade is one of the most prestigious awards at the IFA. Meanwhile, the C5 Cityline Bluetone television was named the "Product of the Year" at the 13th China Household Appliances Innovation Award presented by the China Household Electrical Appliances Association, reflecting a significant enhancement to its product competitiveness
- Completion of the capital increase of Thunderbird Technology by the Company and Tencent Digital
- Mr. WANG Yi Michael has been appointed as an executive director of the Company, a member of the nomination committee and a member of the remuneration committee of the Company with effect from 22 September 2017
- Mr. Abulikemu ABULIMITI has resigned as a non-executive director of the Company with effect from 22 September 2017
- Mr. LIANG Jun has been appointed as a non-executive director of the Company with effect from 22 September 2017
- Professor SO Wai Man Raymond has tendered his resignations as an independent non-executive director of the Company, the Chairman of the audit committee of the Company and a member of each of the nomination committee and remuneration committee of the Company, and such resignations with effect from 25 September 2017

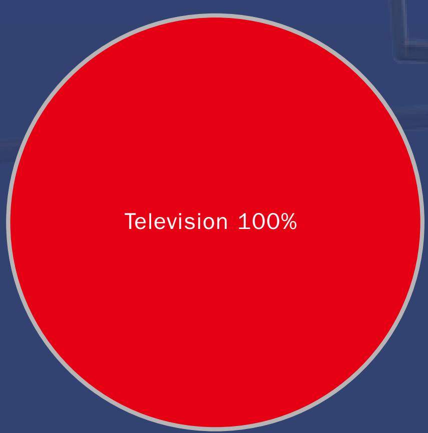
NOV

- Announced its strategic partnership with Warner Brothers, and has been authorised as the joint global partner in promotion of the studio's blockbuster *Justice League* and the sole sponsor for the film's premiere in Hong Kong
- Announced proposed rights issue at the subscription price of HK$3.46 per rights share on the basis of one rights share for every three existing shares held on the record date (announced on 25 January 2018 the completion of the rights issue which raised a net proceed of approximately HK$2.00 billion)
- Announced proposed change of company name to TCL Electronics Holdings Limited as a better reflection of the direction of its diverse business development
- Entered into a subscription agreement with RV, one of Argentina's largest consumer electronics and home appliance manufacturers and distributors to penetrate into Argentina to increase market share and further enhance the Company's presence in South American market
- Mr. LAU Siu Ki has been appointed as an independent non-executive director of the Company and the Chairman of the audit committee of the Company with effect from 3 November 2017
- Mr. LAU Siu Ki has been appointed as a member of each of the remuneration committee and nomination committee of the Company with effect from 21 November 2017
- Mr. ZHANG Zhiwei has been appointed as a non-executive director of the Company with effect from 21 November 2017
- Mr. LIANG Jun has resigned as a non-executive director of the Company with effect from 21 November 2017

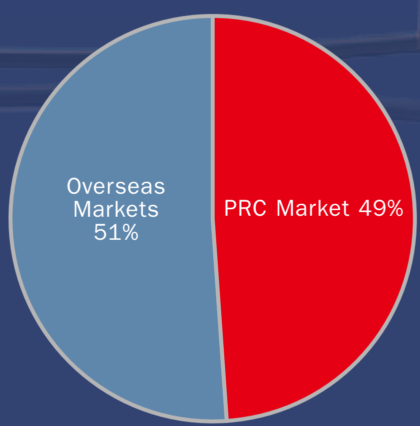
Financial Performance

(HK$ Million)	2017	2016
Turnover	40,822	33,361
Gross profit	6,301	5,816
Gross profit margin (%)	15.4	17.4
Profit attributable to owners of the parent	815	183
Basic EPS (HK cents)	47.43	11.40

TURNOVER BREAKDOWN BY PRODUCTS



TV TURNOVER BREAKDOWN BY REGIONAL BUSINESS CENTRES



Financial Position

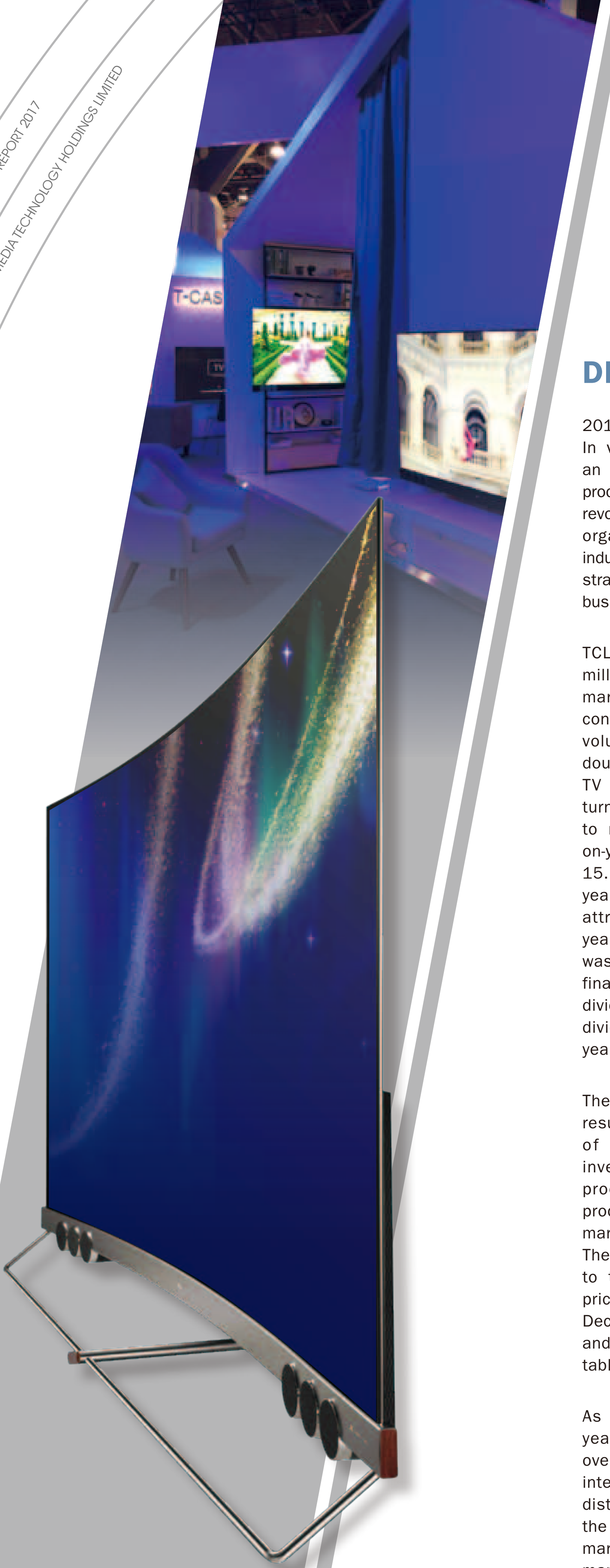
(HK$ Million)	2017	2016
Property, plant and equipment	1,676	1,819
Cash and bank balances	5,910	3,882
Total assets	26,063	20,309
Total liabilities	18,367	13,753
Interest-bearing borrowings	2,927	1,356
Net assets	7,697	6,556

Operation Indicators

	2017	2016
Return on equity (%)	11	3
Inventory turnover (days)	46	45
Trade receivables turnover (days)	50	60
Trade payables turnover (days)	78	79
Current ratio	1.2	1.3
Gearing ratio (%)	0	0

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

Mr. LI Dongsheng
Chairman



DEAR SHAREHOLDERS,

2017 is a year of transformation and progress for TCL. In view of the complex global economic conditions and an increasingly competitive market, we strengthened our product competitiveness and brand power by implementing revolutionary changes to pursue transformation, optimising organisation workflow, achieving synergies across the industries of the Group, and deepening our internationalisation strategy, to realise substantial improvement across major business indicators and high-quality growth.

TCL Multimedia's LCD TV sales volume totaled 23.23 million sets in 2017, up by 16.4% year-on-year, which marked a five-year record high. The overseas markets continued to deliver remarkable performance with sales volume in both North American and Brazilian markets doubled. In 2017, TCL ranked No.3 in the global LCD TV market with a 10.9% market share. The Group's turnover surpassed HK$40.00 billion for the first time to reach HK$40.82 billion, representing a 22.4% year-on-year increase, while the expense ratio reduced from 15.1% to 13.1% compared with the same period of last year. Its profitability also improved significantly with profit attributable to owners of the parent surged threefold year-on-year to HK$815 million. Basic earnings per share was HK47.43 cents. The Board of Directors proposed a final dividend of HK15.07 cents per share, with annual dividend totaling HK18.97 cents per share, marking a 40% dividend payout ratio in gratitude of the shareholders' years of association with and support for TCL Multimedia.

The significant increase in TCL Multimedia's operating results is mainly attributable to the constant improvement of operating efficiency, lower costs, continuous investment in technology, and a considerable rise in product competitiveness. In 2017, the X/C/P series products were highly endorsed by the industry and the market. The 85-inch flagship quantum dot X6 XESS Private Theatre received a number of industry accolades. Owing to the increased product competitiveness, TCL's brand price index in China continued to rise. In November and December 2017, the Group's monthly index rose to 104 and 108 respectively, putting TCL at the top of the league table.

As a pioneering Chinese enterprise going international years ago, TCL has leveraged years of experience in overseas operations and advantages brought forth by the integration of its industrial chain, to enjoy an increasingly distinct competitive edge in the overseas markets. With the major breakthroughs achieved in the North American market and the outstanding performance in the emerging markets such as Brazil, the overseas businesses have become the most important impetus of the Group. In 2018, we signed Neymar Jr. as the global brand ambassador of TCL to further reinforce TCL's youthful and international brand image.

Chairman's Statement

In 2017, TCL Multimedia successfully reorganised the business of Thunderbird Technology, which is based on smart TV application services. Tencent invested in Thunderbird Technology and became its second largest shareholder. In 2017, the activated smart TV users was 23.54 million with the daily average number of active users reaching 10.81 million, and operating revenue surged from RMB72 million to RMB140 million. Of which, video-on-demand and membership business grew significantly in absolute amounts and as a percentage of total revenue, reflecting that the commercial monetisation ability of the internet business has grew much stronger.

At present, the global industrial structure is undergoing rapid changes and adjustments. The pace of advancement of new technologies is unprecedented, and emerging strategic industries are booming. The Chinese economy has already entered a new stage of development, and the mode of economic growth has shifted from expansion of scale to growth of quality and efficiency. In order to adapt to new development trends, Chinese enterprises should strive to improve their innovative capabilities in product technology, and establish the brands' global influence. We see this as a challenge and an opportunity and will leverage the development of the Chinese economy to accelerate our business growth.

In 2018, we will:

– Continue to further pursue reform and transformation, restructure the supply chain, in a bid to greatly increase operational efficiency and effectiveness;
– Continue to invest in research and development, set up a blueprint for the future, actively promote technologies of advanced quantum dot display and Artificial Intelligence (A.I.), enhance Internet business, continuously enhance "product + service" operational capabilities, and comprehensively improve product core competitiveness and user experience;
– While improving the competitiveness of our business in the PRC market, we will be more aggressive in expanding overseas markets. We will consolidate the North American and South American markets, increase market share and profitability in Europe and Southeast Asia, explore emerging markets such as India and Russia, with an aim to increase TCL's global market share and brand competitiveness, and strengthen its business on a global scale.

In the first quarter of this year, the Group continued to improve its performance and further enhance its competitiveness. The Group is confident that it will achieve the goal for stable growth in sales revenue and profit.

The recent Sino-US trade disputes will not bring any material impact on the Group's business in the first half of the year. If the disputes were ultimately resolved unfavourably, there will be only a temporary and minor impact on the Group's business in the US. We have taken proactive actions to ensure the steady growth of the US business. The Board of Directors considers it not necessary to adjust the business plan for this year.

Going forward, we will continue to consolidate and expand existing TV business, while actively diversifying our business to open up new business development strategies. The Company successfully completed the rights issue in January 2018, raising approximately HK$2.00 billion. In the future, we will continue to extend to new business areas such as smart AV and smart home, and integrate the internal and external quality assets of home appliance business of TCL Corporation Group through investment, mergers and acquisitions, and restructuring, further strengthening the linkage among product technology, industry chain, brand promotion, and international business, and maximising the advantages of the Group. TCL Multimedia will be renamed TCL Electronics Holdings Limited to become an international electronics industry enterprise.

Hereby, on behalf of the Board of Directors, I would like to express my sincere gratitude to every shareholder and investor for their long-standing support and trust. Thank you!

LI Dongsheng
Chairman
28 March 2018, Hong Kong

Management Discussion and Analysis

BUSINESS REVIEW FOR THE YEAR ENDED 31 DECEMBER 2017

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

1. Sales volume and turnover rose significantly on a full-year basis, thanks to the Group's committed efforts in seeking vertical supply chain integration. In the PRC market, the Group outperformed the industry average; in the overseas markets, especially in the North American and Brazilian markets, the Group delivered outstanding performance;

2. The Group's product competitiveness increased notably, leading to optimisation of product mix and significant increase in brand price index;

3. Benefiting from the decrease in panel price in the second half of the year, the Group's overall gross profit margin as well as that in the PRC market rebounded in the fourth quarter;

4. The Group continued to streamline its operations with a view to lowering cost and enhancing efficiency, which resulted in a continual decrease in overall expense ratio; and

5. Thunderbird Technology introduced Tencent Digital as its second largest shareholder, therefore generating a one-off gain upon completion of capital increase.

Management Discussion and Analysis

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

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

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

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

	2017 ('000 sets)	2016 ('000 sets)	Change
LCD TVs	**23,231**	19,956	16.4%
Total			
– PRC Market	**9,164**	9,415	(2.7%)
– Overseas Markets	**14,068**	10,541	33.5%
Of which: Smart TVs	**15,094**	10,593	42.5%
4K TVs	**5,805**	3,977	46.0%

	Accumulated total as of 31 December 2017	December 2017	December 2016	Change	2017	2016	Change
Number of TCL activated smart TV users [(1)]	**23,536,522**	**634,475**	606,989	4.5%	**6,247,088**	5,364,578	16.5%
Daily average number of active users[(2)]	**N/A**	**10,809,751**	7,473,240	44.7%	**N/A**	N/A	N/A

Notes:

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

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

The PRC Market

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

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

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

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

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

- Smart TV sales volume reached 5.57 million sets, which accounted for 76.3% of the LCD TV sales volume in 2017, rising from 66.1% in 2016.

- 4K TV sales volume amounted to 3.11 million sets, which accounted for 42.7% of the LCD TV sales volume in 2017, rising from 36.3% in 2016.

- Market share of curved TVs was 33.6%, maintaining No.1 position (Source: CMM). Sales volume of curved TVs rose by 27.3% year-on-year to 1.08 million sets, which accounted for 14.8% of the LCD TV sales volume in 2017, increasing from 10.9% in 2016.

- The average size of TVs increased from 44.3 inches in the corresponding period of last year to 45.8 inches.

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

Boosted by continuous optimisation of its distribution network, the proportion of the Group's online sales volume as a percentage of total sales increased from 20.0% in 2016 to 26.2% in 2017.

Overseas Markets

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

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

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

Performance in the overseas markets in 2017:

- In the North American market, the LCD TV sales volume surged by 131.5% year-on-year, doubling growth from the previous year. The Group actively expanded its sales and distribution channels and offered full coverage of the six major sales channels in North America. It was also highly commended by leading media globally. These efforts resulted in a continual increase in market share in the North American market. In 2017, its market share ranking in terms of sales volume rose to No. 4, from No. 6 in 2016 (Source: NPD).

- LCD TV sales volume in emerging markets rose by 21.5% year-on-year. Of which, the Brazilian market delivered remarkable performance, with a 149.6% increase in sales volume year-on-year. The Group was ranked No. 3 by market share in terms of sales volume in the Philippines, No. 4 in Thailand and No. 5 in Vietnam and Australia respectively (Source: GfK).

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

- Proportion of TVs with screen size of 55 inches and above rose from 14.8% in 2016 to 20.6% in 2017.

- Proportion of 4K TVs increased from 14.8% in 2016 to 26.4% in 2017.

- Proportion of Smart TVs rose from 58.2% in 2016 to 77.6% in 2017.

Internet Business

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

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

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

- Video-on-demand business totaled 21.97 million users, increased by 26.3% when compared to 2016.

- Paid business totaled 2.05 million users, increased by 199.0% when compared to 2016.

- Average spending time of users on TV reached 4.9 hours, which rose by 16% year-on-year, with user loyalty further strengthened.

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

Research and Development

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

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

In September 2017, the Group launched three new X/C/P TV series, namely, the X6 XESS Private Theatre TV, the C5 Cityline Bluetone TV, and the P6 Ultra High-Definition Thin TV at the International Consumer Electronics Fair ("IFA") in Berlin. Among the debut products, the X6 XESS Private Theatre TV received the "Quantum Dot Technology Gold Award" at the IFA Product Technical Innovation Award jointly presented by Deutscher Industrie-und Handelskammertag ("DIHK") and the International Data Group ("IDG"). The accolade is one of the most prestigious awards at the IFA. These achievements not only demonstrated the technological strength of the Group but also showed the world the innovative expertise of the Group in the realm of smart products.

On 11 January 2018, TCL won the "China Innovation Brand Award" at the 2018 International Consumer Electronics Show ("CES") in Las Vegas, the United States. In addition, its flagship new TV product series X5, C6 and P5 displayed at CES were conferred the "China Innovative Product Award". On the 2017-2018 Global Top Brands Award Ceremony, organised by IDG, TCL has once again clinched three awards including "2017-2018 Top 10 Consumer Electronics Brands", "2017-2018 Global TV Brands Top 15" and "2017-2018 Global Top 50 Consumer Electronics Brands", reflecting the strength of the Group's brand.

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

Outlook

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

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

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

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

2. Continue to pursue internationalisation, strengthen and expand global distribution network: Leveraging its brand as the foundation, the Group will step up brand development to enhance brand image; enhance efficiency and implement structural transformation to establish operating models to deliver healthy and steady growth; strengthen and reinforce and enhance the performance of existing businesses to seek breakthroughs in North America, South America, Europe, India and Russia, etc.; invest in brand building, products, retail and global talents to improve core competencies.

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

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

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

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

The future plans of the Company for material investments or capital assets and their expected sources of funding can be found in the announcement of the Company dated 27 November 2017 and the prospectus of the Company published on 28 December 2017.

FINANCIAL REVIEW

Significant Investments, Acquisitions and Disposals

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

On 29 November 2017, the Group entered into a subscription agreement with RV, Sontec S.A., RV TECH S.A. and JWG S.A. for subscription of 15% of total number of shares in each of RV and Sontec S.A. (collectively "Joint Venture Companies") for a subscription price with reference to the definitive net book value of the Joint Venture Companies. Please refer to the announcement of the Company dated 29 November 2017 in respect of the future prospects of the investment.

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

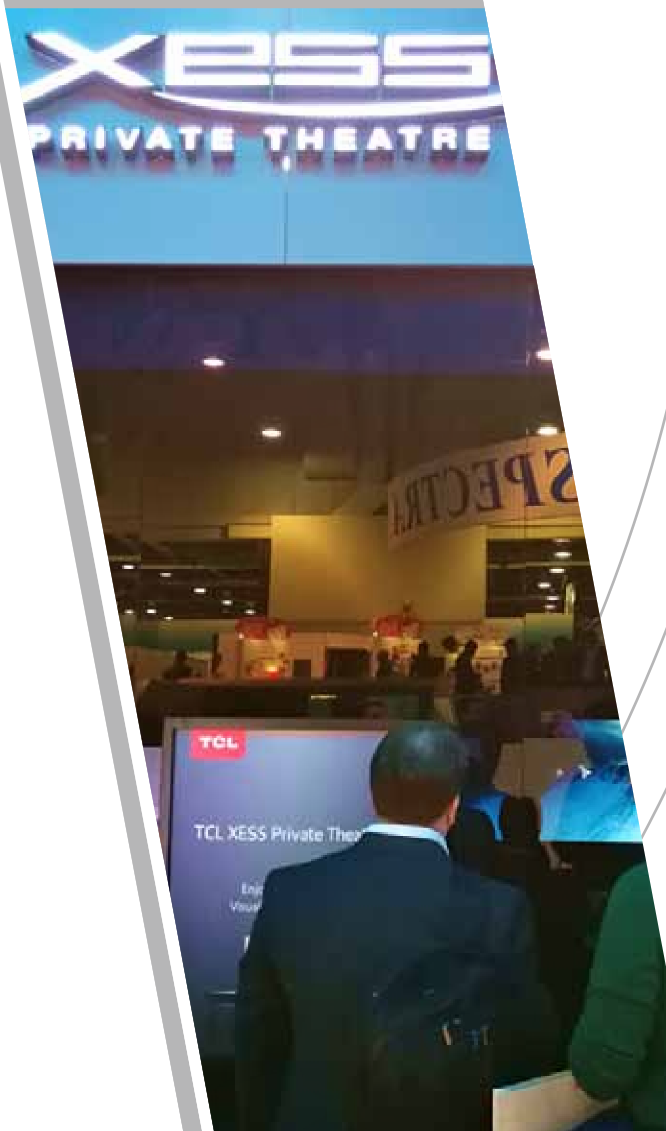
Liquidity and Financial Resources

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

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

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

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



Pledge of Assets

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

Capital Commitments and Contingent Liabilities

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

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

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

Pending Litigation

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

Foreign Exchange Exposure

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

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

Employee and Remuneration Policy

As at 31 December 2017, the Group had a total of 22,945 dynamic and talented employees. They were all dedicated to advancing the quality and reliability of our operations. Remuneration policy was reviewed regularly, making reference to current legislation, market condition and both the performance of individual and the Group. In order to align the interests of staff with those of shareholders, share options and restricted shares were granted to relevant grantees, including employees of the Group, under the Company's share option scheme and restricted share award scheme respectively. Share options for subscribing a total of 153,243,492 shares remained outstanding and 14,848,361 restricted shares remained unvested at the end of the reporting period.

MR. LI DONGSHENG

EXECUTIVE DIRECTOR

Aged 60, is the founder, the chairman and an executive director of the Company. He is currently the chairman and chief executive officer of TCL Corporation (000100.SZ). Mr. LI is also currently (i) the chairman and chief executive officer of TCL Communication Technology Holdings Limited (whose shares were listed on the Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") from September 2004 to September 2016 and its then stock code was 2618, and is a subsidiary of TCL Corporation ("TCL Communication"); (ii) the chairman and the legal representative of CSOT (a subsidiary of TCL Corporation); (iii) an independent non-executive director of Tencent Holdings Limited (700.HK); (iv) a non-executive director of Fantasia Holdings Group Co., Limited (1777.HK); and (v) an independent director of Legrand (whose shares are listed on NYSE Euronext, securities code: Euronext: LR).

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, 12th and 13th National People's Congress. Mr. LI currently holds a number of prestigious positions as vice chairman of All-China Federation of Industry & Commerce, vice chairman of China Chamber of International Commerce, chairman of China Video Industry Association, chairman of Guangdong Provincial Enterprise Confederation and Guangdong Provincial Association of Entrepreneurs and chairman of Shenzhen Flat Panel Display Industry Association and etc. 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 2004. 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.

EXECUTIVE DIRECTOR

MR. WANG CHENG KEVIN

Aged 43, an executive director, the chief executive officer and a member of the Strategy Committee and the Management Team of the Company. He joined the Company in July 1997, is currently holding the position of general manager of the China Business Unit and senior vice president of TCL Corporation. 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 2006 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. From August 2016 to November 2017, Mr. WANG was the general manager of Supply Chain Management Center and chief operating officer of the Company. 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.

DR. YAN XIAOLIN

Aged 51, an executive director and a member of the Strategy Committee of the Company. Dr. YAN joined the Company in 2001 and 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 Amlogic 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 present, he is the president of TCL Corporate Research of TCL Corporation. From May 2008 to November 2012, Dr. YAN was a vice president of TCL Corporation.

EXECUTIVE DIRECTOR

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, the chairman (Asia) of Society For Information Display, a director of the Display Technology Committee of the Chinese Vacuum Society.

Dr. YAN 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, 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.

MR. WANG YI MICHAEL

EXECUTIVE DIRECTOR

Aged 40, an executive director, the chief financial officer and a member of the Remuneration Committee, Nomination Committee and the Management Team of the Company. Besides, he is also a vice president of TCL Corporation. Since joining the Company in September 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 the 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. ALBERT THOMAS DA ROSA, JUNIOR

NON-EXECUTIVE DIRECTOR

Aged 64, 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 an accredited mediator with certain institutions in the United Kingdom and Hong Kong.

Mr. DA ROSA is an independent non-executive director of HKC (Holdings) Limited (190.HK), and the company secretary of Y.T. Realty Group Limited (75.HK) and Yugang International Limited (613.HK), all of which are companies listed on the Hong Kong Stock Exchange.

Mr. DA ROSA serves as the chairman of the Board of Review (Inland Revenue Ordinance) Panel and as a member of the Standing Committee on Standards and Development of The Law Society of Hong Kong. He served as chairman of the Appeal Tribunal (Buildings) Panel from 2012 to 2017, a member of the Hong Kong Society of Registered Financial Planners. 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. HUANG XUBIN

NON-EXECUTIVE DIRECTOR

Aged 52, is a non-executive director and a member of the Audit Committee of the Company, an executive director, chief financial officer and a member of the Executive Committee of TCL Corporation.

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 and general manager of TCL Finance Co., Ltd. ("Finance Company"). At present, Mr. HUANG is also 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), the chairman of Finance Company, a director of Shenzhen TCL Real Estate Co., Ltd, a 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.

MR. ZHANG ZHIWEI

NON-EXECUTIVE DIRECTOR

Aged 43, the non-executive director of the Company. Mr. ZHANG has been a director of the Company since 2017. Mr. ZHANG graduated from Fudan University and has served various positions such as the promotion director (Northern Area) of the Air Conditioner Operation Department of Midea Group Company Limited (000333.SZ), general manager of Order Center of Shanghai Xinhua Media Company Limited (600825.SH), general manager of E-Commerce Department of Hisense Kelon Electrical Holdings Company Limited (921.HK; 000921.SZ), general manager of Brown Goods Operation Department of JD.com, Inc., a company listed on the NASDAQ in the United States of America (NASDAQ: JD). Mr. ZHANG joined Leshi Internet Information & Technology Corporation, Beijing (300104.SZ) ("Le.com") in March 2013, as vice president of Sales of XinLeShi Zhijia Electronic Technology (Tianjin) Limited (formerly known as Leshi Zhixin Electronic Technology (Tianjin) Company Limited) ("LeTV Zhijia"), a subsidiary of Le.com, and was responsible for the sales of LeTV Super TV and Internet set-top box and then became the officer in charge of LeEco O2O and LePar. In November 2016, Mr. ZHANG became the president of Sales and Service Platform of LeEco O2O. Since September 2017, Mr. ZHANG has been the CEO of LeTV Zhijia and senior vice president of Le.com.

MR. LIU HONG

NON-EXECUTIVE DIRECTOR

Aged 44, the non-executive director of the Company. Mr. LIU has been a director of the Company since 2017. He is also the co-founder of Le.com, and currently a director and vice general manager of Le.com, and responsible for the comprehensive operation and finance of LeEco Holding Ltd. and its subsidiaries and affiliates. Mr. LIU has been a non-executive director of Beijing Media Corporation Limited (1000.HK) since January 2016. From August 2015 to January 2018, Mr. LIU was an executive director of Coolpad Group Limited (2369.HK) ("Coolpad") and Mr. LIU has been re-designated as a non-executive director of Coolpad since 19 January 2018.

Mr. LIU was a senior journalist, and used to be a journalist of China Radio International from 1997 to 2004. Mr. LIU graduated from journalism major in Beijing Broadcasting Institute with a bachelor degree in July 1997 and graduated from University of International Business and Economics with a master degree of law in January 2003.

MR. ROBERT MAARTEN WESTERHOF

INDEPENDENT NON-EXECUTIVE DIRECTOR

Aged 74, 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, Mr. WESTERHOF had positions in the Supervisory Board of listed companies in United Kingdom and the Netherlands in the areas of Electronics, ICT and Medical products. At the moment, Mr. WESTERHOF holds the position as chairman of Sparta Beheer B.V., a leading football club in the Netherlands with activities in the Netherlands, Mainland China and 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.

DR. TSENG SHIENG-CHANG CARTER

INDEPENDENT NON-EXECUTIVE DIRECTOR

Aged 69, 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 38 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.

PROFESSOR WANG YIJIANG

INDEPENDENT NON-EXECUTIVE DIRECTOR

Aged 64, 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 and a senior fellow at the National Center of Economic Research, Tsinghua University. He is currently also an independent director of Shenzhen ZQGame Co., Ltd. (300052.SZ); a non-executive director of Zhejiang Red Dragonfly Footwear Co., Ltd. (603116.SH); an independent non-executive director of Zhuhai Holdings Investment Group Limited (908.HK); and an independent director of Bank of Sanxiang.

He served as a consultant of World Bank, a senior researcher of Chinese Economy Research Institute in Business and Management School of Tsinghua University 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, a research fellow at the William Davidson Institute of Transition Economics at the University of Michigan, an independent director of Beijing Huatu Hongyang Education Culture Corp., Ltd. (stock code: 830858), which is a company listed on NEEQ and an external director of XCMG Construction Machinery Co., Ltd. (000425.SZ).

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.

MR. LAU SIU KI

INDEPENDENT NON-EXECUTIVE DIRECTOR

Aged 59, 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 graduated from Hong Kong Polytechnic in 1981. He is currently a financial advisory consultant of his management consultancy firm, Hin Yan Consultants Limited. Previously, Mr. LAU worked at Ernst & Young for over 15 years. He has over 35 years of experience in corporate governance, corporate financing, financial advisory and management, accounting and audit. Mr. LAU is currently a fellow member of both of the Association of Chartered Certified Accountants ("ACCA") and the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Mr. LAU was a member of the World Council of ACCA from 2002 to 2011 and was the chairman of ACCA Hong Kong in 2000/2001. During these years, he has helped raising the profile of ACCA.

Currently, Mr. LAU also serves as an independent non-executive director of Binhai Investment Company Limited (2886.HK), China Medical & HealthCare Group Limited (383.HK), Comba Telecom Systems Holdings Limited (2342.HK), Embry Holdings Limited (1388.HK), Samson Holding Ltd. (531.HK) and FIH Mobile Limited (2038.HK), all being listed companies on the Hong Kong Stock Exchange. He is also the company secretary of Hung Fook Tong Group Holdings Limited (1446.HK), Yeebo (International Holdings) Limited (259.HK) and Expert Systems Holdings Limited (8319.HK), all being listed companies on the Hong Kong Stock Exchange. From March 2015 to March 2016 and from April 2004 to October 2016, Mr. LAU served as an independent non-executive director of UKF (Holdings) Limited (1468.HK) and TCL Communication. From June 2014 to June 2017, Mr. LAU served as an independent supervisor of the sixth session of Beijing Capital International Airport Company Limited (694.HK).

BOARD OF DIRECTORS

Executive Directors

Mr. LI Dongsheng (resigned as the Chairman and an executive director with effect from 22 September 2017, subsequently appointed as the Chairman and the executive director with effect from 2 March 2018)
Mr. BO Lianming (appointed as the Chairman on 22 September 2017, resigned as the CEO on 1 October 2017, subsequently resigned as the Chairman and the executive director on 2 March 2018)
Mr. WANG Cheng Kevin (appointed as an executive director with effect from 22 September 2017 and appointed as the CEO with effect from 1 October 2017)
Mr. YAN Xiaolin
Mr. WANG Yi Michael (appointed as an executive director with effect from 22 September 2017)
Ms. XU Fang (resigned as an executive director with effect from 22 September 2017)

Non-executive Directors

Mr. Albert Thomas DA ROSA, Junior
Mr. HUANG Xubin
Mr. ZHANG Zhiwei (appointed as a non-executive director with effect from 21 November 2017)
Mr. LIU Hong (appointed as a non-executive director with effect from 7 April 2017)
Mr. LIANG Jun (appointed as a non-executive director with effect from 22 September 2017 and resigned as a non-executive director with effect from 21 November 2017)
Mr. Abulikemu ABULIMITI (resigned as a non-executive director with effect from 22 September 2017)
Mr. Winston Shao-min CHENG (resigned as a non-executive director with effect from 7 April 2017)

Independent Non-executive Directors

Mr. Robert Maarten WESTERHOF
Dr. TSENG Shieng-chang Carter
Professor WANG Yijiang
Mr. LAU Siu Ki (appointed as an independent non-executive director with effect from 3 November 2017)
Professor SO Wai Man Raymond (resigned as an independent non-executive director with effect from 25 September 2017)

COMPANY SECRETARY

Ms. CHOY Fung Yee, Solicitor, Hong Kong

AUDITOR

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

LEGAL ADVISOR

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

PRINCIPAL REGISTRAR

SMP Partners (Cayman) Limited
3rd Floor, Royal Bank House
24 Shedden Road
P.O. Box 1586
Grand Cayman
KY1-1110
Cayman Islands

BRANCH REGISTRAR

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

PRINCIPAL OFFICE

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

REGISTERED OFFICE

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

INVESTOR AND MEDIA RELATIONS

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 corporate governance code (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on 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 2017, the Company has complied with the Code Provisions with the following deviations:

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

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

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

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

(1) Mr. HUANG Xubin and Mr. LIU Hong, being non-executive directors of the Company, and Mr. Abulikemu ABULIMITI, being a then non-executive director of the Company and Professor SO Wai Man Raymond, being a then independent non-executive director of the Company, were not present at the annual general meeting ("2017 AGM") of the Company and the extraordinary general meeting of the Company ("May EGM") both held on 23 May 2017; and

(2) Mr. HUANG Xubin, Mr. ZHANG Zhiwei and Mr. LIU Hong, being non-executive directors of the Company and Mr. Robert Maarten WESTERHOF and Professor WANG Yijiang, being independent non-executive directors of the Company, were not present at the extraordinary general meeting of the Company held on 22 December 2017 ("December EGM").

However, save as disclosed above, all the other non-executive directors and independent non-executive directors attended the 2017 AGM, May EGM and December EGM to ensure an effective communication with the shareholders thereat.

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

The Company has no formal letters of appointment for Mr. BO Lianming (resigned as the Chairman and the executive director of the Company with effect from 2 March 2018) being a then executive director of the Company, Mr. Albert Thomas DA ROSA, Junior and Mr. HUANG Xubin, both being non-executive directors of the Company, and Mr. Robert Maarten WESTERHOF and Dr. TSENG Shieng-chang Carter, both being independent non-executive directors of the Company and Mr. LI Dongsheng (before his resignation as an executive director of the Company with effect from 22 September 2017) as most of them have been serving as directors for a considerable period of time, a clear understanding of the terms and conditions of their appointment already exists between the Company and the directors, and so there is no written record of the same. In any event, all directors, including those without a letter of appointment and those appointed for a specific term, shall be subject to retirement by rotation in the manner prescribed under the articles of association of the Company ("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 annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that requires independent shareholders' approval.

Due to other pre-arranged business commitments which must be attended to by (i) Mr. LI Dongsheng, being the then Chairman of the Board and an executive director of the Company; and (ii) Professor SO Wai Man Raymond, being the then chairman of the Audit Committee of the Company and an independent non-executive director of the Company were not present at the 2017 AGM. However, Dr. TSENG Shieng-chang Carter, being the chairman of the Remuneration Committee and an independent non-executive director of the Company and Professor WANG Yijiang, being the chairman of the Nomination Committee and an independent non-executive director of the Company were present at the 2017 AGM to maintain an ongoing dialogue and communicate with the shareholders and encourage their participation.

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

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

The company secretary of the Company, Ms. CHOY Fung Yee ("Ms. CHOY") is a partner of the Company's legal advisor, 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. CHOY. Information in relation to the performance, financial position and other major developments and affairs of the Group (including but not limited to the management monthly report to the Board) are speedily delivered to Ms. CHOY through the contact person assigned. Given the long-term relationship between Ms. CHOY and the Group, Ms. CHOY are very familiar with the operations of the Group and have an in depth knowledge of the management of the Group. Having in place a mechanism that Ms. CHOY will get hold of the Group's development promptly without material delay and with her expertise and experience, the Board is confident that having Ms. CHOY as the company secretary is beneficial to the Group's compliance with the relevant board procedures, applicable laws, rules and regulations.

For the period from 1 January 2018 up to the date of publication of this annual report, the Company has continued to comply with the Code Provisions except Code Provision D.1.4 and Code Provision F.1.1. The reasons for such deviations remain the same as those stated above. Further, with regard to Code Provision D.1.4, in respect of Mr. LI Dongsheng who has been appointed as an executive director of the Company with effect from 2 March 2018, a service contract has been entered into between the Company and Mr. LI Dongsheng on 28 March 2018.

COMPLIANCE WITH DEED OF NON-COMPETITION

The Company has received two confirmations (the "Confirmations") from TCL Corporation and T.C.L. Industries Holdings (H.K.) Limited (collectively the "Covenantors") signed by them confirming that for the period from 1 January 2017 to 31 December 2017 and up to the date of signing the Confirmations by the relevant Covenantors, they have fully complied with the deed of non-competition executed by the Covenantors in favour of the Group on 15 November 1999 as amended from time to time (the "Deed of Non-Competition").

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

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 during the year ended 31 December 2017 and as at the date of this annual report comprises the following directors:

Executive Directors
Mr. LI Dongsheng (resigned as the Chairman and the director with effect from 22 September 2017, subsequently appointed as the Chairman and the director on 2 March 2018)
Mr. BO Lianming (appointed as the Chairman on 22 September 2017, resigned as the CEO on 1 October 2017, subsequently resigned as the Chairman and the director with effect from 2 March 2018)
Mr. WANG Cheng Kevin (appointed as a director with effect from 22 September 2017 and appointed as the CEO with effect from 1 October 2017)
Mr. YAN Xiaolin
Mr. WANG Yi Michael (appointed as a director with effect from 22 September 2017)
Ms. XU Fang (resigned as a director with effect from 22 September 2017)

Non-executive Directors
Mr. Albert Thomas DA ROSA, Junior
Mr. HUANG Xubin
Mr. ZHANG Zhiwei (appointed as a director with effect from 21 November 2017)
Mr. LIU Hong (appointed as a director with effect from 7 April 2017)
Mr. LIANG Jun (appointed as a director with effect from 22 September 2017 and resigned as a director with effect from 21 November 2017)
Mr. Abulikemu ABULIMITI (resigned as a director with effect from 22 September 2017)
Mr. Winston Shao-min CHENG (resigned as a director with effect from 7 April 2017)

Independent Non-executive Directors
Mr. Robert Maarten WESTERHOF
Dr. TSENG Shieng-chang Carter
Professor WANG Yijiang
Mr. LAU Siu Ki (appointed as a director with effect from 3 November 2017)
Professor SO Wai Man Raymond (resigned as a director with effect from 25 September 2017)

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 "Board of Directors" of this annual report on pages 28 to 41.

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 2017, 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. Following the resignation of Professor SO Wai Man Raymond as an independent non-executive director of the Company with effect from 25 September 2017 and until the appointment of Mr. LAU Siu Ki as an independent non-executive director of the Company with effect from 3 November 2017, (i) there remained three independent non-executive directors of the Company, representing less than one-third of the members of the Board and hence the number of the independent non-executive directors of the Company fell below the minimum number required under Rules 3.10A of the Listing Rules; and (ii) in addition, the Company did not meet the requirement under Rule 3.10(2) of the Listing Rules that at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise, and the requirement regarding the composition of audit committee under Rule 3.21 of the Listing Rules. The Board identified Mr. LAU Siu Ki as a suitable candidate to fill the vacancy and such vacancy was filled within 3 months from the effective date of resignation of Professor SO Wai Man Raymond as required under Rules 3.11 and 3.23 of the Listing Rules.

Number of meetings attended/eligible to attend in 2017

During the year of 2017, the Board held 4 regular meetings at about quarterly intervals and 10 additional meetings. As regards general meetings, the Company held the 2017 AGM as well as, the May EGM and the December EGM during the year to consider, among others, the matters regarding (i) the Master Financial Services (2017 Renewal) Agreement; and (ii) various continuing connected transactions. A table summary in regard to the directors' participation at the various board meetings and board committee meetings and the Company's general meetings is set out below:

	Regular Board Meetings	Additional Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings	Strategy Executive Committee (Note 13)/ Strategy Committee (Note 14) Meetings	General Meetings
Executive Directors							
LI Dongsheng (Note 1)	2/3	1/6	N/A	N/A	N/A	N/A	0/2
WANG Cheng Kevin (Note 2)	1/1	2/4	N/A	N/A	N/A	4/4	0/1
YAN Xiaolin	2/4	10/10	N/A	N/A	N/A	10/14	0/3
WANG Yi Michael (Note 3)	1/1	4/4	N/A	2/2	1/2	N/A	1/1
BO Lianming (Note 4)	4/4	10/10	N/A	N/A	N/A	14/14	0/3
XU Fang (Note 5)	1/3	3/6	N/A	3/3	N/A	9/10	2/2
Non-executive Directors							
Albert Thomas DA ROSA, Junior	3/4	10/10	N/A	N/A	N/A	N/A	3/3
HUANG Xubin	4/4	6/10	4/4	N/A	N/A	N/A	0/3
ZHANG Zhiwei (Note 6)	0/0	2/2	N/A	N/A	N/A	N/A	0/1
LIU Hong (Note 7)	0/3	0/7	N/A	N/A	N/A	N/A	0/3
LIANG Jun (Note 8)	0/1	0/2	N/A	N/A	N/A	N/A	0/0
Abulikemu ABULIMITI (Note 9)	3/3	5/6	N/A	N/A	N/A	N/A	0/2
Winston Shao-min CHENG (Note 10)	1/1	3/3	N/A	N/A	N/A	N/A	0/0
Independent Non-executive directors							
Robert Maarten WESTERHOF	4/4	9/10	N/A	N/A	N/A	N/A	2/3
TSENG Shieng-chang Carter	2/4	10/10	4/4	5/5	3/3	N/A	3/3
WANG Yijiang	4/4	7/10	4/4	5/5	3/3	N/A	2/3
LAU Siu Ki (Note 11)	0/0	3/3	1/1	1/1	0/0	N/A	1/1
SO Wai Man Raymond (Note 12)	3/3	6/6	3/3	3/3	2/2	N/A	0/2

Notes:

1. Mr. LI Dongsheng resigned as the Chairman of the Board and an executive director of the Company with effect from 22 September 2017 and subsequently appointed as the Chairman of the Board of the Company and an executive director and with effect from 2 March 2018.

2. Mr. WANG Cheng Kevin was appointed as an executive director of the Company with effect from 22 September 2017.

3. Mr. WANG Yi Michael was appointed as an executive director of the Company with effect from 22 September 2017.

4. Mr. BO Lianming was appointed as the Chairman of the Board with effect from 22 September 2017 and subsequently resigned as the Chairman of the Board of the Company and an executive director of the Company with effect from 2 March 2018.

5. Ms. XU Fang resigned as an executive director of the Company and a member of the Remuneration Committee with effect from 22 September 2017.

6. Mr. ZHANG Zhiwei was appointed as a non-executive director of the Company with effect from 21 November 2017.

7. Mr. LIU Hong was appointed as a non-executive director of the Company with effect from 7 April 2017.

8. Mr. LIANG Jun was appointed and resigned as a non-executive director of the Company with effect from 22 September 2017 and 21 November 2017 respectively.

9. Mr. Abulikemu ABULIMITI resigned as a non-executive director of the Company with effect from 22 September 2017.

10. Mr. Winston Shao-min CHENG resigned as a non-executive director of the Company with effect from 7 April 2017.

11. Mr. LAU Siu Ki was appointed as an independent non-executive director and the chairman of the Audit Committee of the Company with effect from 3 November 2017 and a member of the Remuneration Committee and the Nomination Committee both with effect from 21 November 2017.

12. Professor SO Wai Man Raymond resigned as an independent non-executive director, the chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee of the Company all with effect from 25 September 2017.

13. Before its dissolution on 22 September 2017, the Strategy Executive Committee was made up of Mr. BO Lianming as the chairman and Mr. YAN Xiaolin and Ms. XU Fang as the members.

14. The Strategy Committee was established on 22 September 2017 and was made up of Mr. BO Lianming as the chairman and Mr. WANG Cheng Kevin and Mr. YAN Xiaolin as the members. Mr. BO Lianming resigned, and Mr. LI Dongsheng was appointed, as the chairman of the Strategy Committee with effect from 2 March 2018.

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.

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.

For the period commencing from 1 January 2017 to 22 September 2017, the position of the Chairman was held by Mr. LI Dongsheng while the position of CEO was held by Mr. BO Lianming.

Mr. BO Lianming, who was appointed as the Chairman with effect from 22 September 2017, then served as both the Chairman and the CEO for a short transitional period until Mr. WANG Cheng Kevin has been appointed as the CEO in place of Mr. BO Lianming with effect from 1 October 2017.

Following the resignation of Mr. BO Lianming as the Chairman with effect from 2 March 2018, the position of the Chairman has been held by Mr. LI Dongsheng.

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, no less than 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 annual general meeting shall retire by rotation at such AGM.

At the 2017 AGM, Mr. BO Lianming, Ms. XU Fang, Mr. HUANG Xubin and Mr. Robert Maarten WESTERHOF retired from office by rotation pursuant to article 116 of the Articles, 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 2017 AGM.

In the Company's circular dated 19 April 2017, 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 2017 AGM.

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. Albert Thomas DA ROSA, Junior, Dr. TSENG Shieng-chang Carter and Professor WANG Yijiang will retire from office by rotation at the forthcoming AGM and are subject to re-election by the shareholders of the Company, who, if re-elected, will hold office until the conclusion of the AGM of 2021.

All the other non-executive directors and independent non-executive directors were elected to hold office for a specific term until the AGM to be held in 2020.

Nomination of Directors

The Board has established a nomination committee (the "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 advisors 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 Companies 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 2017 to 31 December 2017:

Directors	Read materials	Attend seminars/briefings
Executive Directors		
Mr. LI Dongsheng (resigned and subsequently appointed)	✓	–
Mr. WANG Cheng Kevin	✓	–
Mr. YAN Xiaolin	✓	–
Mr. WANG Yi Michael	✓	–
Mr. BO Lianming (resigned)	✓	–
Ms. XU Fang (resigned)	✓	–
Non-executive Directors		
Mr. Albert Thomas DA ROSA, Junior	✓	✓
Mr. HUANG Xubin	✓	–
Mr. ZHANG Zhiwei	✓	✓
Mr. LIU Hong	✓	–
Mr. LIANG Jun (resigned)	✓	–
Mr. Abulikemu ABULIMITI (resigned)	✓	–
Mr. Winston Shao-min CHENG (resigned)	✓	–
Independent Non-executive Directors		
Mr. Robert Maarten WESTERHOF	✓	✓
Dr. TSENG Shieng-chang Carter	✓	–
Professor WANG Yijiang	✓	✓
Mr. LAU Siu Ki	✓	✓
Professor SO Wai Man Raymond (resigned)	✓	–

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 2017, 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 pursuant to Part XV of the Securities and Futures Ordinance (Cap.571) ("SFO") as at 31 December 2017 are set out on pages 84 to 86 of this annual report.

The Board has also established written guidelines on no less exacting terms than the Model Code for the relevant employees, 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 the board committees (the "Board Committee") 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 the strategy executive committee (the "Strategy Executive Committee") on 23 October 2014 with specific written terms of reference. The Strategy Executive Committee comprised three executive directors, namely Mr. BO Lianming (chairman), Mr. YAN Xiaolin and Ms. XU Fang.

In order to facilitate the strategic development of the Company and enhance its operation decision-making efficiency, the Board resolved on 22 September 2017 to dissolve the Strategy Executive Committee and to establish the strategy committee ("Strategy Committee"). After the dissolution of the Strategy Executive Committee, the Strategy Executive Committee no longer remained in force.

At the time of the establishment of the Strategy Committee, it comprised three executive directors of the Company for the period commencing from 22 September 2017 to 2 March 2018, namely, Mr. BO Lianming (chairman), Mr. WANG Cheng Kevin and Mr. YAN Xiaolin. Following the resignation of Mr. BO Lianming as the chairman of the Strategy Committee with effect from 2 March 2018, the Strategy Committee currently comprises Mr. LI Dongsheng (chairman), Mr. WANG Cheng Kevin and Mr. YAN Xiaolin.

Board Committees

Throughout 2017, the Board had at any one time four Board Committees. The four committees under the Board are the Remuneration Committee, the Audit Committee, the Nomination Committee, the Strategy Executive Committee (dissolved with effect from 22 September 2017) and the Strategy Committee (established with effect from 22 September 2017), 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 Board Committees in 2017 is set out on page 48 of this annual report.

Nomination Committee

The Nomination Committee currently comprises four members, namely Mr. WANG Yi Michael, Dr. TSENG Shieng-chang Carter, Professor WANG Yijiang, and Mr LAU Siu Ki, the majority being independent non-executive directors. Professor WANG Yijiang is the chairman of the Nomination Committee. Professor SO Wai Man Raymond was a member of the Nomination Committee until his resignation with effect from 25 September 2017. The Nomination Committee held three meetings during 2017.

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"); and

- review the sufficiency of time commitment of directors to perform their responsibilities.

The work performed by the Nomination Committee during 2017 included:

- considering the nomination of Mr. LIU Hong as a non-executive director with effect from 7 April 2017;

- considering the nomination of Mr. WANG Cheng Kevin and Mr. WANG Yi Michael as executive directors with effect from 22 September 2017;

- considering the nomination of Mr. LIANG Jun as a non-executive director with effect from 22 September 2017;

- considering the nomination of Mr. LAU Siu Ki as an independent non-executive director with effect from 3 November 2017;

- considering the nomination of Mr. ZHANG Zhiwei as a non-executive director with effect from 21 November 2017;

- reviewing policy for nomination of directors;

- reviewing the current Board structure, diversity and composition;

- 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 2017.

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/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 four members, namely Mr. WANG Yi Michael, Dr. TSENG Shieng-chang Carter, Professor WANG Yijiang and Mr. LAU Siu Ki, the majority being independent non-executive directors. Dr. TSENG Shieng-chang Carter is the chairman of the Remuneration Committee. Ms. XU Fang and Professor SO Wai Man Raymond were members of the Remuneration Committee until their respective resignation which took effect on 22 September 2017 and 25 September 2017 respectively.

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 2017, the Remuneration Committee accomplished the following:

- making recommendations to the Board on the remuneration of non-executive directors;

- considering the distribution of special cash compensation in respect of the rights issue to the relevant grantees of the restricted shares, executive directors, non-executive directors and senior management;

- 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 pages 201 to 204 of this annual report 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 four members, namely Mr. LAU Siu Ki, Mr. HUANG Xubin, Dr. TSENG Shieng-chang Carter and Professor WANG Yijiang. Mr. LAU Siu Ki is the chairman of the Audit Committee. Professor SO Wai Man Raymond was the chairman and a member of the Audit Committee until his resignation with effect from 25 September 2017.

The Audit Committee usually meets four times a year to review the Company's quarterly, interim and annual results and the integrity of the Group's financial statements. The Company has discontinued the announcement and publication of the quarterly financial results for the first three-month and nine-month periods of each financial year for the Group starting from the third quarter of 2017. Since then, the Audit Committee would meet not less than two times a year. 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 2017 included consideration of the following matters:

- the completeness and accuracy of the 2016 annual and 2017 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 auditors;
- the audit fees payable to external auditors, the scope and timetable of the audit for year 2017;
- recommendations to the Board, for the approval by shareholders, for the reappointment of Messrs. Ernst & Young as the external auditors, which the Board agreed and accepted;
- reviewed the 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 2018.

Strategy Executive Committee/Strategy Committee

The Board established the Strategy Executive Committee on 23 October 2014 with specific written terms of reference. The Strategy Executive Committee comprised three executive directors, namely Mr. BO Lianming (chairman), Mr. YAN Xiaolin and Ms. XU Fang. The Company dissolved the Strategy Executive Committee and established the Strategy Committee on 22 September 2017.

The Board delegated responsibilities to the Strategy Executive Committee or the Strategy Committee for making certain decisions for the management of the Company. In accordance with their terms of reference, members of the Strategy Executive Committee and the Strategy Committee shall be appointed by the Board from amongst the executive directors of the Company only.

At the time of establishment of the Strategy Committee, it comprised three executive directors of the Company for the period commencing from 22 September 2017 to 2 March 2018, namely, Mr. BO Lianming (chairman), Mr. WANG Cheng Kevin and Mr. YAN Xiaolin. Following the resignation of Mr. BO Lianming as the chairman of the Strategy Committee with effect from 2 March 2018, the Strategy Committee currently comprises Mr. LI Dongsheng (chairman), Mr. WANG Cheng Kevin and Mr. YAN Xiaolin.

For details of the Strategy Executive Committee and the Strategy Committee, please refer to the section "Delegation by the Board - Operation" of this Corporate Governance Report on pages 56 to 57.

The work completed by the Strategy Executive Committee or the Strategy Committee during 2017 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 2017 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 105 to 109.

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 110 to 223 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 "Management Discussion and Analysis" set out in pages 15 to 27 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 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 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 internal controls, 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 internal audit department submits a detailed report at least once a year to the Board for its review and monitors the effectiveness of the system 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 2017, 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 system 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 Transaction

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 identify 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 auditors is roughly as follows:

Statutory audit services	HK$9,600,000
Non-audit services (which include taxation compliance, agreed upon procedures and other audit services)	HK$5,694,000
Continuing connected transactions	HK$480,000

COMPANY SECRETARY

The position of Company Secretary is held by Ms. CHOY. Ms. CHOY 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.

Ms. CHOY is required to take no less than 15 hours of relevant professional training during the year 2017. Ms. CHOY has fulfiled the requirement during the year under review.

INVESTOR RELATIONS PROGRAM

The Group has always been committed to upholding high standards in corporate governance, and believes accountability, fairness and transparency for the board of directors, management and disclosure are the cornerstone of good corporate governance, which helps achieve long-term sustainable growth.

Through various channels, the Group strives to maintain timely and effective two-way communication with its shareholders, potential investors, the media and the public on its latest business developments, corporate strategies and future prospects, while ensuring information disclosure is in compliance with the Listing Rules and other regulatory requirements. Annual General Meeting is organized every year as a crucial platform to facilitate an open and effective dialogue between the Group and its shareholders. The press conferences and analyst briefings are organized by the Group following the interim and annual results announcements with the participation of the Board and senior management to respond to questions from the media and investors, fostering two-way communication.

In addition, the Group is committed to maintaining high quality of information disclosure and effective communication with investment community through one-on-one meetings, group meetings, conference calls, luncheons and non-deal roadshows on a regular basis. It also plays an active role in strengthening the connection with overseas investors by attending global investor conferences and forums in Hong Kong, Macau, Shenzhen, Xiamen, Guangzhou, Shanghai, Chengdu, Beijing, Taiwan and Singapore.

Since December 2016, TCL Multimedia has been included in the eligible shares list of the Southbound Hong Kong Trading Link under mutual stock market access between Shenzhen and Hong Kong ("Shenzhen-Hong Kong Stock Connect"), which further raises corporate awareness in the Mainland and expands shareholding structure.

The Group's outstanding performance in investor relations and corporate discloure has gained significant recognitions. It has won the "Best Listed Company in New Media Branding" award in the "China Securities Golden Bauhinia Awards 2017", the "Most Valuable Small & Mid-Cap Company" in "Golden Hong Kong Stocks Awards Ceremony 2017", and was granted "2017 Best Investment Value Award for Listed Companies" (Market capitalization of less than HK$10 billion) by the judging panel of the "Best Investment Value Award for Listed Companies".

At the same time, its 2016 annual report has been honored the "Bronze Award" under the category of Traditional Annual Report: Home Appliances & Electronics at The International Annual Report Competition (ARC) Awards and a "Bronze Award" under the category of Annual Reports – Print: Electronic Manufacturing of "2017 Galaxy Awards".

Key Investor Relations Events in 2017:

Date	Event	Location
January	Participated in investor conference (Organized by UBS)	Shanghai
	Participated in investor conference (Organized by Credit Suisse)	Hong Kong
March	2016 annual 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 CCBI)	Hong Kong
	Hosted a non-deal road show (organized by Yuanta Securities)	Hong Kong
	Hosted a non-deal road show (organized by Okasan Securities)	Hong Kong
	Spring New Product Launch Event	Beijing
April	2017 1st quarter announcement (press conference and analyst briefing)	Hong Kong
	Hosted a non-deal road show (organized by JP Morgan)	Hong Kong
May	Hosted a non-deal road show (organized by UBS)	Taiwan
	Hosted a non-deal road show (organized by Macquarie)	Taiwan
	Participated in investor conference (Organized by CICC)	Shenzhen
	Participated in investor conference (Organized by SWS)	Xiamen
	Participated in investor conference (Organized by BNP)	Hong Kong
	2017 AGM	Hong Kong
	May EGM	Hong Kong

Date	Event	Location
June	Participated in investor conference (Organized by JP Morgan)	Beijing
	Participated in investor conference (Organized by UBS)	Hong Kong
July	2017 interim 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 CCBI)	Hong Kong
	Hosted a non-deal road show (organized by CLSA)	Hong Kong
August	Hosted a non-deal road show (organized by Industrial Securities)	Shanghai
	Hosted a non-deal road show (organized by CICC)	Shanghai
	Hosted a non-deal road show (organized by SWS)	Singapore
	Hosted a non-deal road show (organized by Industrial Securities)	Singapore
September	Hosted a non-deal road show (organized by Macquarie)	Taiwan
	Participated in investor conference (Organized by Credit Suisse)	Taiwan
	Participated in investor conference (Organized by UBS)	Hong Kong
October	Hosted a non-deal road show (organized by JP Morgan)	Hong Kong
	Hosted a non-deal road show (organized by CCBI)	Hong Kong
	Hosted a non-deal road show (organized by SWS)	Shenzhen
November	Participated in investor conference (Organized by Citi)	Macau
	Participated in investor conference (Organized by Citi)	Shenzhen
	Hosted a non-deal road show (organized by CITIC)	Beijing
	Hosted a non-deal road show (organized by Industrial Securities)	Beijing
	Participated in investor conference (Organized by JP Morgan)	Hong Kong
	Participated in investor conference (Organized by SWS)	Shanghai
	Participated in investor conference (Organized by Industrial Securities)	Shanghai
December	Hosted a non-deal road show (organized by BNP)	Hong Kong
	Hosted a non-deal road show (organized by Guangfa Securities)	Shenzhen
	December EGM	Hong Kong

All published information, including all the statutory announcements and press releases, etc., 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.

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 attends the AGM to answer questions about the conduct of the audit, the preparation and content of the independent auditors' 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 2017, no amendment had been made to the memorandum and Articles. On 9 January 2018, the Company proposed that the authorised share capital of the Company be increased from HK$2,200,000,000 divided into 2,200,000,000 shares to HK$3,000,000,000 divided into 3,000,000,000 shares by the creation of 800,000,000 additional shares ("Increase in Authorised Share Capital"), which would, upon issue and being fully paid, rank pari passu in all respects with the shares in issue. The Increase in Authorised Share Capital was approved by shareholders of the Company at the extraordinary general meeting of the Company held on 25 January 2018.

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 2017, the Group continued to focus on the theme of "Facilitating the Organization to Enter Positive Development Cycle" 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 2017, the total number of employees was 22,945. The distribution is as follows:

Employees by Geographic Region as of 31 December 2017:

Mainland China	21,026
Asian countries other than Mainland China (including Hong Kong and Australia)	738
North America (including Mexico)	768
Europe	378
Australia	35

Employees by Age as of 31 December 2017:

Employees aged below 30	11,648
Employees aged between 30 to 49	11,013
Employee aged 50 or above	284

The male-to-female ratio was 1.56:1. The overall turnover rate was approximately 8.4%.

2. Major Accomplishments in Human Resources

In order to support the development strategy of the Company and to promote a "Positive Corporate Cycle" in development, the Group endeavored to optimize its talent structure and increase the efficiency of its talents continuously, and adopted a series of proactive measures to strengthen the areas including appraisals and incentives, recruitment of talents as well as talent nurturing and development. The measures are as follows:

In the area of performance appraisals and incentives, the Group further strengthened the linkage between the Company's overall performance and the incentives to various levels of employees, through the comprehensive optimization of the remuneration and incentives system and focusing resources on the incentives of key areas, so as to facilitate the achievement of business objectives. Through formulating and implementing performance bonus schemes based on business streams, the implementation of the frontline and back office integration was further strengthened. Meanwhile, the Group also focused its resources on sales incentives, incentives for product items and incentives for innovations and new technologies, in order to support the Company's improvements in its product competitiveness, retail capabilities and technological advancement capabilities. Moreover, it enhanced retention and motivation of outstanding talents with the use of long-term incentives. In 2017, the Group adhered to the approach of performance orientation for the improvement of the Company's results with concerted efforts of all employees, through continuous advancement and improvement of the performance management system and processes.

In terms of talents recruitment, the Group places emphasis on the development of its business operation as well as the talent requirements in the future. It actively explored diverse channels for the introduction of talents, in order to achieve the precise introduction of top talents with proper expertise. In 2017, more than 700 talents were recruited externally, in various areas inclding products, R&D, smart manufacturing, domestic and overseas marketing, new internet management, which laid a good foundation for a talent pool geared toward an internationalized market of technological innovations.

In respect of talents nurturing and development, the Group continued to carry out talent review, actively promoted younger staff as managers, boldly appointed outstanding young talents to take up important roles, and vigorously implemented talent rotation. It provided support for nurturing first-line, middle and top managers in order to build a solid foundation for the management, which facilities rapid growth of the Group's new management force.

Meanwhile, the Group aggressively launched three young talent development plans, namely the high-potential talents of the "Eagle Program", professional talents and incumbent talents for capability improvements, and the innovative talent development plan with an objective to enhance the employees' business operation philosophy, management skills, customer orientation and awareness of innovation. It is the Group's approach to focus on future development in the long run, while meeting the current business development needs.

SOCIAL RESPONSIBILITY

In the past year, the Group continued to focus on social responsibility and contributed to the society with actions including organizing and participating in educational support, public charity activities and school-enterprise cooperation.

Focus on Education

Huameng Foundation (華萌基金)

Mr. LI Dongsheng, the chairman of the Group, highly values the importance of education as he considers education is the foundation for building and strengthening our nation. As early as 2007, Mr. LI Dongsheng founded "Huameng Foundation" with his wife WEI Xue (魏雪). Huameng Foundation is the first fund dedicated to entrepreneur under China Youth Development Foundation, which is committed to the support of the Chinese educational development with an aim to ensure that junior high graduates of good character and performance excellence in poverty-stricken areas can successfully complete senior high school level studies and enter into universities. A subsidy of tuition and living of RMB8,000 is provided by Huameng Foundation to each of 150 senior high school students in "Huameng Foundation Class" every year.

A "Huameng Foundation Scholarship for College Study" of RMB23,000 is awarded to each of the top ten students with the highest scores in the comprehensive quality assessment of "Huameng Class" every year. The fund also started the Huameng 5010 Plan to provide university students of Huameng with Internship subsidy and entrepreneurial support. In addition, Huameng Foundation promoted the overall quality of students and facilitated their all-round development with innovative supporting programs including "Huameng Star Classroom", "Huameng Summer Camp" and "Graduate Farewell Party". In 2017, Huameng Foundation contributed a total of RMB4,148,161 for the launching of the above charity activities.

Shenzhen TCL Foundation

As an entrepreneur with a strong sense of social responsibility, Mr. LI Dongsheng, the chairman of the Group, founded the 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 upholds the values of "Seeking Public Interest and Promoting Social Progress", with the purposes of "Creating Educational and Growth Opportunities for the Disadvantaged, Seeking Community Welfare and Environmental Sustainable Development". It has been dedicated to the three public welfare undertakings, including foundation education assistance, major disaster relief and care for special groups. In 2017, the expenditure on public welfare undertakings of Shenzhen TCL Foundation amounted to RMB35,271,000 for the launch of charity projects such as "TCL Hope Project Candlelight Award".

Mutual Aid Fund for Employees

The Group is dedicated to build a mutual aid platform internally for the caring of others and poverty alleviation by relieving the distress of employees. To boost the team spirit of "Assistance for Those with Adversities, Helping Each Other and Dedication with Love", the sense of humanity and the corporate culture of people-orientation among the employees, a Mutual Aid Fund for Employees, as advocated and supported with donation by Dr. TSENG Shieng-chang Carter (an independent non-executive director) and others was set up. Established in August 2012, the 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 donation amount of RMB168,600 in 2017.

In addition, the Mutual Aid Fund for Employees also fulfilled corporate social responsibility externally by sponsoring the student financial support program "Caring For Tomorrow" for five consecutive years, with the cumulative donation amount of RMB900,000. At the same time, volunteers were designated 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. Other activities included the assistance to the disabled persons of Xili Disabled Persons' Federation and the sponsorship of Xili Primary School No. 2. These activities will continue on an on-going basis.

School-enterprise Cooperation

The Group has established and maintained on-going strategic partnerships with well-known universities in China and overseas. With an aim to provide vocational skills and a platform for practicing as well as to scout and nurture talents, the Group continued to cooperate with well-known universities in the Mainland by establishing the on-campus "TCL Clubs" in 2017. This provides a platform and opportunities for university students to enhance their capabilities and career development with the theme of "Growth, Happiness and Sharing".

In order to help university students gain better understanding of the enterprise and make early preparation for future employment, the Group organized various activities of "TCL OPEN DAY" around the year, in which teachers and students of universities were invited to participate in site visits to the Company with touring and seminars. As part of the Group's strategic talents reserve program, our Hi-Fly Program (助飛計劃) for university graduates has connection with leading universities around the world. We conducted seminars in many well-known universities in North America, Hong Kong and Mainland China, aiming to select outstanding talents with business minds, development potentials, determination to succeed and leadership aptitudes among fresh graduates. For the selected university graduates, we have developed a customized training program in their early stages of entering into workplace, laying a solid foundation for them to become experts and management talents in the future.

ENVIRONMENTAL PROTECTION

The Group devotes to achieve environmental sustainability and incorporates its philosophy of corporate social responsibility into daily operations. The Group operates its in-house manufacturing facilities in compliance with all applicable local environmental regulations. The Group encourages to protect the environment.

The Group continuously implements fine-tuned strategy to shoulder its corporate environmental, social and ethical responsibility and improve corporate governance, in an effort to create greater value for all of the Group's stakeholders including shareholders, customers and employees as well as the communities where it operates. Further, the Group continued to adhere to the highly responsible attitude toward employees, customers and the environment, in the product formation process from raw materials to market, toxic and hazardous substances are strictly regulated and controlled, and toxic and hazardous substances are prohibited to enter all aspects of production, packaging, distribution, marketing, etc., and any harm of the health of employees and consumer safety, destruction of natural environment and other serious incidents is prohibited.

The Environmental, Social and Governance Report of the Company for the year ended 31 December 2017 prepared in accordance with Appendix 27 to the Listing Rules will be published separately pursuant to the requirements under Appendix 27 to the Listing Rules.

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 2017.

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 2017 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 110 to 223.

The Board has proposed a final dividend for the year ended 31 December 2017 of HK15.07 cents in cash per share (31 December 2016: Nil).

Subject to (i) approval at the forthcoming AGM on 23 May 2018, Wednesday and (ii) the Directors being satisfied that there are no reasonable grounds for believing that the Company is, and immediately after the final dividends are paid, will be unable to pay its liabilities as they become due in the ordinary course of business, the said final dividend will be payable on or about 15 June 2018, Friday to shareholders whose names appear on the register of members of the Company on 28 May 2018, Monday.

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 224. This summary does not form part of the audited financial statements.

RECORD DATE AND CLOSURE OF REGISTER OF MEMBERS

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

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

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2017 is set out in the section headed "Management Discussion and Analysis" on pages 15 to 27 of this annual report. Discussions on non-financial performance including human resources management initiatives, the key relationships with its employees and the Group's environmental policies and performance are disclosed in the section headed "Human Resources and Social Responsibility" of this annual report. Those discussions form part of this Report of the Directors.

Key relationships with customers and suppliers are disclosed in the paragraphs headed "Major Customers and Suppliers" in this Report of the Directors. Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a review of the business of the Group, discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position, and an indication of the outlook of the business of the Group, is set out under sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this annual report. Those discussions also form part of this Report of the Directors.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group has complied with regulations related to occupational safety, including but not limited to the Fire Prevention Law of the People's Republic of China, the Production Safety Law of the People's Republic of China and the Law of the People's Republic of China on the Prevention and Control of Occupation Diseases. The Group maintains the occupational safety of employees mainly by the following methods: weekly inspection of safety production risks including risks of fire, piling up of hazardous materials and electricity; regular disinfection of workplace and arranging professional medical institutions for physical examination for employees; accelerating the automatization of factories, replacing dangerous operation by machines to prevent employees from being injured.

The Group has also complied with regulations related to production materials and emission, including but not limited to the Environmental Protection Law of the People's Republic of China. The Group carries out supervision mainly by the following methods: regular commissioning of professional institutions to implement the indicator monitoring on pollution discharge so as to meet the national standard; reasonable storage and isolation of dangerous materials; strict selection of suppliers to source materials that meet the EU REACH and ROHS standards first.

As at 31 December 2017 and up to the date of this report, the Board was not aware of any non-compliance with the relevant laws and regulations that had a significant impact on the Company.

SIGNIFICANT RISKS AND UNCERTAINTIES

Some significant risk and uncertainties affecting the Group are outlined below. They are not exhaustive and there may be other additional risks and uncertainties which are now unknown or immaterial to the Group but could become material in future.

Market Competition

As mentioned in the section "Management Discussion and Analysis" of this annual report above, in 2017, the global LCD TV market was weak, the TV demand in the PRC market also shrunk and market competition further intensified. The general state of the global economy, market condition and consumers' behaviour may have significant impact on the operating results and financial condition of the Group. The global market for the Group's products and services is highly competitive and is subject to ever-changing technological advancements, market development, changes in customer needs, evolving industry standards, and frequent product launches and upgrades.

To minimise this risk, the Group continues its efforts on research and development to broaden its product and technology platforms and enhance its product competitiveness, which enable the Group to extend its reach to different end products so as to diversify its source of revenue and profit, and in turn, reduce its dependency on one single product. In addition, the Group continues to strengthen its customer relationship and refine its sales strategy, in order to maintain robust profitability of the Group. Further discussion in this aspect has been set out under sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this annual report.

Raw Materials

Panel is an important raw material to the Group's TV products and hence the Group's business is dependent on the availability and price of panel.

To better control the risk, the Company maintains good relationship with its suppliers (as more specifically discussed in the paragraph "Major Customers and Suppliers" below in this Report of the Directors). Further, the Group has been pursuing and will continue to pursue synergies across multiple industries within TCL Corporation Group and leverage the advantages in the vertical integration with CSOT (which is a major panel suppliers in the PRC) to be a forerunner in capitalising opportunities arising from the revolution of the industry to establish an eco-system enterprise based on smart TVs. Further, it will consolidate and expand its existing TV business while actively diversifying its business to develop smart AV and smart home businesses through investments, mergers and acquisitions, and restructuring to explore new business growth opportunities. Further discussion in this aspect has been set out under sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this annual report.

Financial Risks

Further discussions on the financial risks, including interest rate risk, foreign currency risk, credit risk, liquidity risk, that would affect the business operations of the Group, the potential financial impact and measures undertaken to manage those risk areas are disclosed in note 39 to the financial statements.

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

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 40 to the financial statements and the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2017, the Company had an aggregate of HK$4,611,230,000 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$5,350,166,000.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totaling HK$432,000.

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	34%
– the five largest suppliers combined	45%

Sales

– the largest customer	9%
– the five largest customers combined	27%

Those suppliers have been cooperating with the Group for a long term. The Group recognises maintaining good and stable relationship with suppliers, customers and business partners is key for the sustainable development of the Group. Therefore, the Group keeps good partnership with its major suppliers and customers which have been cooperating with the Group for a long term.

Major Customers

The Group's major customers are all from consumer television products industry, which is characterised by its cycles of integration and emergence of new brands. Any loss of or changes in market position of any of these customers may materially and adversely affect the business, financial conditional and operating results of the Group. In light of this, the Group adopts the following strategies to reduce the risk from reliance on one single customer. On one hand, the Group strengthens the relationship with its existing customers which made relatively stable contribution to the revenue of the Group. On the other hand, the Group endeavours to expand business and acquire new customers by improving product mix and integrating industry chain.

Further discussion in this aspect has been set out under section headed "Management Discussion and Analysis" of this annual report.

The Group's credit terms with its customers including credit period are disclosed in note 22 to the financial statements of this annual report. Each customer has a credit limit depending on the size and credibility of the customers. The Group also maintains credit insurance for trade receivables from customers.

Major Suppliers

There are numerous suppliers providing materials required for the Group's production and other businesses operations. The Group adopts multiple sourcing policy and strategic inventory management to ensure sufficient supply of materials for production.

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 38(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 (resigned as the Chairman and executive director with effect from 22 September 2017; and subsequently appointed as the Chairman and executive director on 2 March 2018)
Mr. BO Lianming (appointed as the Chairman on 22 September 2017 and resigned as the CEO on 1 October 2017; and subsequently resigned as the Chairman and executive director on 2 March 2018)
Mr. WANG Cheng Kevin (appointed as an executive director with effect from 22 September 2017 and appointed as the CEO with effect from 1 October 2017)
Mr. YAN Xiaolin
Mr. WANG Yi Michael (appointed as an executive director with effect from 22 September 2017)
Ms. XU Fang (resigned as an executive director with effect from 22 September 2017)

Non-executive directors:

Mr. Albert Thomas DA ROSA, Junior
Mr. HUANG Xubin
Mr. ZHANG Zhiwei (appointed as a non-executive director with effect from 21 November 2017)
Mr. LIU Hong (appointed as a non-executive director with effect from 7 April 2017)
Mr. LIANG Jun (appointed as a non-executive director with effect from 22 September 2017 and resigned as an non-executive director with effect from 21 November 2017)
Mr. Abulikemu ABULIMITI (resigned as a non-executive director with effect from 22 September 2017)
Mr. Winston Shao-min CHENG (resigned as a non-executive director with effect from 7 April 2017)

Independent non-executive directors:

Mr. Robert Maarten WESTERHOF
Dr. TSENG Shieng-chang Carter
Professor WANG Yijiang
Mr. LAU Siu Ki (appointed as an independent non-executive director with effect from 3 November 2017)
Professor SO Wai Man Raymond (resigned as an independent non-executive director with effect from 25 September 2017)

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 three years. All retiring Directors shall be eligible for re-election.

Accordingly, Mr. YAN Xiaolin, Mr. Albert Thomas DA ROSA, Junior, Dr. TSENG Shieng-chang Carter and Professor WANG Yijiang 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 43 to 72 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' BIOGRAPHIES

Biographical details of the directors of the Company are set out on pages 28 to 41 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 2017, 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 for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules 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	Other interests (Note 1)	Options	Nil-paid rights (Note 2)	Total	Approximate percentage of issued share capital of the Company (Note 3)
BO Lianming (Note*)	1,018,994	831,989	6,001,268	339,664	8,191,915	0.35%
WANG Cheng Kevin	339,693	362,912	2,504,309	111,491	3,318,405	0.14%
YAN Xiaolin	75,038	21,186	1,282,153	12,566	1,390,943	0.06%
WANG Yi Michael	1,032,025	611,327	3,273,582	344,008	5,260,942	0.23%
Albert Thomas DA ROSA, Junior	63,333	–	194,410	21,111	278,854	0.01%
HUANG Xubin	1,160,943	22,157	589,965	374,021	2,147,086	0.09%
LIU Hong	–	–	80,162	–	80,162	0.003%
Robert Maarten WESTERHOF	30,000	–	194,410	10,000	243,410	0.01%
WANG Yijiang	–	–	122,630	–	122,630	0.01%

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

TCL Corporation (Note 4)

Name of Director	Number of ordinary shares held Personal interests	 Family interests	 Other interests	Number of underlying shares held under equity derivatives	Total	Approximate percentage of issued share capital of TCL Corporation (Note 5)
BO Lianming (Note*)	4,058,801	–	–	–	4,058,801	0.03%
YAN Xiaolin	599,500	–	–	–	599,500	0.004%
HUANG Xubin	3,383,380	–	–	–	3,383,380	0.03%

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

Tonly Holdings (Note 6)

Name of Director	Number of ordinary shares held Personal interests	 Family interests	 Other interests (Note 7)	Number of underlying shares held under equity derivatives	Total	Approximate percentage of issued share capital of Tonly Holdings (Note 8)
WANG Cheng Kevin	6,964	–	3,023	33,463	43,450	0.02%
YAN Xiaolin	9,593	–	11,831	87,285	108,709	0.04%
HUANG Xubin	9,970	–	12,369	91,255	113,594	0.04%

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

CSOT (Note 9)

Name of Director	Number of ordinary shares held	Approximate percentage of registered capital of CSOT (Note 10)
BO Lianming (Note*)	–	0%

Notes:

1. The shares are restricted shares that have been granted to the relevant directors under the Award Scheme of the Company and were not vested as at 31 December 2017.

2. It represented the right to subscribe for one rights share for every three existing shares of the Company held on the record date of 27 December 2017 granted under the rights issue of the Company.

3. Such percentage was calculated based on the "deemed" aggregate number of issued shares of the Company as at 31 December 2017 for the purpose of disclosure of interest would become 2,330,177,485 shares in issue, being the aggregate of (i) the total number of issued shares as at 31 December 2017, being 1,747,633,114 shares in issue, disclosed on the website of the Hong Kong Stock Exchange, and (ii) 582,544,371 rights shares granted under the rights issue of the Company, pursuant to section 349(6) of the SFO.

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

5. Such percentage was calculated based on the number of issued shares of TCL Corporation as at 31 December 2017, being 13,514,972,063 shares in issue.

6. Tonly Electronics Holdings Limited ("Tonly Holdings") is a subsidiary of TCL Corporation and hence an associated corporation of the Company under Part XV of the SFO.

7. The shares are restricted shares that have been granted to the relevant directors under the restricted share award scheme of Tonly Holdings and were not vested as at 31 December 2017.

8. Such percentage was calculated based on the number of issued shares of Tonly Holdings as at 31 December 2017, being 268,192,071 shares in issue as disclosed on the website of Hong Kong Stock Exchange.

9. CSOT is a subsidiary of TCL Corporation and hence an associated corporation of the Company under Part XV of the SFO. CSOT does not have a share capital.

10. As at 31 December 2017, 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 Captial Partnership (Limited Partnership)) as to approximately 59.04% and Star Ripple in turn was interested in CSOT.

* Mr. BO Lianming resigned as the Chairman and an executive director of the Company with effect from 2 March 2018.

Save as disclosed above, as at 31 December 2017, 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 2017, 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 or otherwise notified to the Company 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 (Note 1)
TCL Corporation (Note 2)	Interest of controlled corporation	1,352,606,420 (Note 3)	58.05%
SUN Hongbin	Interest of controlled corporation	348,850,000 (Note 4)	19.97%
WANG Peng ("Mr. WANG")	Interest of controlled corporation	348,850,000 (Note 4)	19.97%
ZHENG Fu ("Mr. ZHENG")	Interest of controlled corporation	348,850,000 (Note 4)	19.97%
Sunac China Holdings Limited ("Sunac China")	Interest of controlled corporation	348,850,000 (Note 4)	19.97%
Sunac International Investment Holdings Ltd	Interest of controlled corporation	348,850,000 (Note 4)	19.97%
Tianjin Yingrui Huixin Corporate Management Co., Ltd 天津盈瑞匯鑫企業管理有限公司 ("Tianjin Yingrui")	Interest of controlled corporation	348,850,000 (Note 4)	19.97%

Shareholder	Capacity	Number of shares held	Percentage of issued share capital of the Company (Note 1)
Leshi Internet Information and Technology Corp., Beijing (樂視網信息技術(北京)股份有限公司)	Interest of controlled corporation	348,850,000 (Note 5)	19.97%
XinLeShi Zhijia Electronic Technology (Tianjin) Limited (新樂視智家電子科技(天津)有限公司) (Note 6)	Interest of controlled corporation	348,850,000 (Note 5)	19.97%
Letv Zhixin Investment (HK) Ltd. (樂視致新投資(香港)有限公司)	Beneficial owner	348,850,000 (Note 5)	19.97%

Notes:

1. The percentage in respect of the interest of TCL Corporation was calculated based on the number of shares and underlying shares of the Company in which TCL Corporation was interested as notified to the Company and disclosed on the website of the Hong Kong Stock Exchange against the number of issued shares of the Company as at 31 December 2017, being 2,330,177,485 shares in issue, while the percentage of the interest of other substantial shareholders was calculated based on the number of shares and underlying shares of the Company in which such substantial shareholder was interested, against the number of issued shares of the Company as at the date of the last relevant event, being 1,747,613,114 shares in issue, both as notified to the Company and disclosed on the website of the Hong Kong Stock Exchange.

2. The following directors are directors/employees of TCL Corporation who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO:

   (a) Mr. LI Dongsheng is a chairman and chief executive officer of TCL Corporation;
   (b) Mr. YAN Xiaolin is a member of the executive committee, a senior vice president and the chief technology officer, and the president of TCL Corporate Research of TCL Corporation;
   (c) Mr. WANG Cheng Kevin is a senior vice president of TCL Corporation; and
   (d) Mr. HUANG Xubin is an executive director, a member of the executive committee and chief financial officer of TCL Corporation.

3. TCL Corporation was deemed to be interested in 1,352,606,420 shares held by T.C.L. Industries Holdings (H.K.) Limited, a direct wholly-owned subsidiary of TCL Corporation.

4. According to the announcement of Sunac China dated 13 January 2017, Tianjin Jiarui Huixin Corporate Management Co., Ltd (天津嘉睿匯鑫企業管理有限公司) ("Tianjin Jiarui"), which is wholly-owned subsidiary of Tianjin Yingrui (which is in turns owned as to 50% by Mr. WANG and 50% by Mr. ZHENG) entered into certain agreement(s) with, among others, Mr. JIA Yueting and LeTV Zhijia under which, among others. Tianjin Jiarui conditionally agreed to acquire in aggregate 33.4959% equity interest in LeTV Zhijia.

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

6. XinLeShi Zhijia Electronic Technology (Tianjin) Limited (新樂視智家電子科技(天津)有限公司) was formerly known as Leshi Zhixin Electronic Technology (Tianjin) Limited.

Save as disclosed above, as at 31 December 2017, 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 2017, the Company has 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 12 May 2017, details as follows:

Grant of share options on 12 May 2017

Name of director/spouse of director	Number of shares to be subscribed under the share option
LIU Hong	80,162

During the financial year ended 31 December 2017, Tonly Holdings, a specified undertaking of the Company as defined under rule 2 of the Companies (Directors' Report) Regulation (Cap. 622D), has granted share options under its share option scheme to grantees who are directors of the Company and/or spouse of a director of the Company on 22 September 2017. Details are set out as follows:

Grant of share options on 22 September 2017

Name of director/spouse of director	Number of shares to be subscribed under the share option
LI Dongsheng*	627,241

* Mr. LI Dongsheng retired as the Chairman and the director with effect from 22 September 2017 and subsequently appointed as the Chairman and the director with effect from 2 March 2018.

Save as disclosed above, under the heading "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above, under the heading "Share Option Schemes" and "Award Scheme" below, at no time during the year ended 31 December 2017 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

The Company adopted the share option scheme on 15 February 2007 ("2007 Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. By a shareholders' resolution passed in the annual general meeting held on 18 May 2016, the new share option scheme ("2016 Scheme") was adopted and the 2007 Scheme was terminated. As a result, the Company can no longer grant any further options under the 2007 Scheme but all options granted prior to the termination of the 2007 Scheme will remain in full force and effect. Eligible participants of the 2007 Scheme include the 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 2016 Scheme mainly refined the definition of "any other person" in the eligible participants of the 2007 Scheme to employees and officers of TCL Corporation and its affiliated companies. The 2016 Scheme became effective on 18 May 2016 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

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

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

Details of the 2016 Scheme were set out in the circular dated 18 April 2016.

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 and (ii) all share options that could be granted under the then available scheme mandate limit as at 31 December 2017 was 153,243,492 and 165,678,499 shares respectively, which represented about 8.77% and 9.48% of the issued share capital of the Company as at 31 December 2017 respectively.

The following share options were outstanding under the share option schemes during the year:

	Number of share options										
Name or category of participant	At 1 January 2017	Reclass-ification	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2017	Date of grant of share options	Exercise price of share options HK$	Exercise period of share options	Share closing price immediately before the date of grant of share options HK$	Weighted average share closing price immediately before the exercise dates Δ HK$
Directors											
Executive directors											
LI Dongsheng*	1,325,733	–	–	(1,325,733)	–	–	5-Jul-11	3.17	Note 1	3.12	3.71
	3,000,634	(3,000,634)	–	–	–	–	9-Mar-15	4.60	Note 2	4.40	N/A
	270,610	(270,610)	–	–	–	–	31-Aug-15	3.48	Note 3	3.54	N/A
	200,134	(200,134)	–	–	–	–	2-Jun-16	4.50	Note 4	4.49	N/A
	4,797,111	(3,471,378)	–	(1,325,733)	–	–					
BO Lianming#	446,977	–	–	(446,977)	–	–	5-Jul-11	3.17	Note 1	3.12	3.69
	6,001,268	–	–	–	–	6,001,268	9-Mar-15	4.60	Note 2	4.40	N/A
	6,448,245	–	–	(446,977)	–	6,001,268					
YAN Xiaolin	300	–	–	–	(300)	–	5-Jul-11	3.17	Note 1	3.12	N/A
	979,912	–	–	–	–	979,912	9-Mar-15	4.60	Note 2	4.40	N/A
	152,651	–	–	–	–	152,651	31-Aug-15	3.48	Note 3	3.54	N/A
	149,590	–	–	–	–	149,590	2-Jun-16	4.50	Note 4	4.49	N/A
	1,282,453	–	–	–	(300)	1,282,153					
XU Fang**	423,067	–	–	(423,067)	–	–	5-Jul-11	3.17	Note 1	3.12	3.70
	841,091	(841,091)	–	–	–	–	9-Mar-15	4.60	Note 2	4.40	N/A
	2,227,596	(2,227,596)	–	–	–	–	31-Aug-15	3.48	Note 3	3.54	N/A
	222,961	(222,961)	–	–	–	–	2-Jun-16	4.50	Note 4	4.49	N/A
	3,714,715	(3,291,648)	–	(423,067)	–	–					
WANG Cheng Kevin***	–	653,275	–	–	–	653,275	9-Mar-15	4.60	Note 2	4.40	N/A
	–	1,413,076	–	–	–	1,413,076	31-Aug-15	3.48	Note 3	3.54	N/A
	–	154,271	–	–	–	154,271	2-Jun-16	4.50	Note 4	4.49	N/A
	–	283,687	–	–	–	283,687	12-May-17	3.83	Note 5	3.70	N/A
	–	2,504,309	–	–	–	2,504,309					

Name or category of participant	At 1 January 2017	Reclass-ification	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2017	Date of grant of share options	Exercise price of share options HK$	Exercise period of share options	Share closing price immediately before the date of grant of share options HK$	Weighted average share closing price immediately before the exercise dates Δ HK$
	Number of share options										
WANG Yi Michael****	–	979,912	–	–	–	979,912	9-Mar-15	4.60	Note 2	4.40	N/A
	–	2,119,615	–	–	–	2,119,615	31-Aug-15	3.48	Note 3	3.54	N/A
	–	174,055	–	–	–	174,055	2-Jun-16	4.50	Note 4	4.49	N/A
	–	3,273,582	–	–	–	3,273,582					
	16,242,524	**(985,135)**	**–**	**(2,195,777)**	**(300)**	**13,061,312**					
Non-executive directors											
Albert Thomas DA ROSA, Junior	100,000	–	–	(100,000)	–	–	5-Jul-11	3.17	Note 1	3.12	4.28
	194,410	–	–	–	–	194,410	9-Mar-15	4.60	Note 2	4.40	N/A
	294,410	–	–	(100,000)	–	194,410					
HUANG Xubin	265,767	–	–	(265,767)	–	–	5-Jul-11	3.17	Note 1	3.12	3.85
	194,410	–	–	–	–	194,410	9-Mar-15	4.60	Note 2	4.40	N/A
	239,098	–	–	–	–	239,098	31-Aug-15	3.48	Note 3	3.54	N/A
	156,457	–	–	–	–	156,457	2-Jun-16	4.50	Note 4	4.49	N/A
	855,732	–	–	(265,767)	–	589,965					
Winston Shao-min CHENG*****	122,630	–	–	–	(122,630)	–	2-Jun-16	4.50	Note 4	4.49	N/A
	122,630	–	–	–	(122,630)	–					
Abulikemu ABULIMITI******	122,630	–	–	–	(122,630)	–	2-Jun-16	4.50	Note 4	4.49	N/A
	122,630	–	–	–	(122,630)	–					
LIU Hong*******	–	–	80,162	–	–	80,162	12-May-17	3.83	Note 5	3.70	N/A
	–	–	80,162	–	–	80,162					
Independent Non-executive directors											
Robert Maarten WESTERHOF	133,333	–	–	(133,333)	–	–	5-Jul-11	3.17	Note 1	3.12	4.32
	194,410	–	–	–	–	194,410	9-Mar-15	4.60	Note 2	4.40	N/A
	327,743	–	–	(133,333)	–	194,410					

Name or category of participant	Number of share options						Date of grant of share options	Exercise price of share options HK$	Exercise period of share options	Share closing price immediately before the date of grant of share options HK$	Weighted average share closing price immediately before the exercise dates Δ HK$
	At 1 January 2017	Reclass-ification	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2017					
SO Wai Man Raymond********	242,702	–	–	–	(242,702)	–	31-Aug-15	3.48	Note 3	3.54	N/A
	242,702	–	–	–	(242,702)	–					
WANG Yijiang	122,630	–	–	–	–	122,630	2-Jun-16	4.50	Note 4	4.49	N/A
	122,630	–	–	–	–	122,630					
	2,088,477	**-**	**80,162**	**(499,100)**	**(487,962)**	**1,181,577**					
Associate(s) of Director(s)											
ICHIKAWA Yuki (WEI Xue)	102,434	(102,434)	–	–	–	–	31-Aug-15	3.48	Note 3	3.54	N/A
(Spouse of Mr. LI Dongsheng)	124,101	(124,101)	–	–	–	–	2-Jun-16	4.50	Note 4	4.49	N/A
	226,535	**(226,535)**	**-**	**-**	**-**	**-**					
Other employees of the Group	2,092,601	–	–	(2,091,411)	(1,190)	–	5-Jul-11	3.17	Note 1	3.12	3.69
	26,764,086	2,208,538	–	(20,000)	(5,028,559)	23,924,065	9-Mar-15	4.60	Note 2	4.40	4.76
	105,967,471	(932,051)	–	(6,055,979)	(14,942,642)	84,036,799	31-Aug-15	3.48	Note 3	3.54	4.14
	10,286,426	218,870	–	(38,000)	(2,143,172)	8,324,124	2-Jun-16	4.50	Note 4	4.49	4.60
	–	(283,687)	17,496,102	–	(1,007,750)	16,204,665	12-May-17	3.83	Note 5	3.70	N/A
	145,110,584	**1,211,670**	**17,496,102**	**(8,205,390)**	**(23,123,313)**	**132,489,653**					
Those who have contributed or may contribute to the Group	–	–	–	–	–	–	5-Jul-11	3.17	Note 1	3.12	3.69
	–	–	–	–	–	–	9-Mar-15	4.60	Note 2	4.40	N/A
	4,330,985	–	–	(277,468)	(266,938)	3,786,579	31-Aug-15	3.48	Note 3	3.54	4.14
	3,050,813	–	–	(9,074)	(317,368)	2,724,371	2-Jun-16	4.50	Note 4	4.49	4.60
	–	–	–	–	–	–	12-May-17	3.83	Note 5	3.70	N/A
	7,381,798	**-**	**-**	**(286,542)**	**(584,306)**	**6,510,950**					
	171,049,918	**-**	**17,756,264**	**(11,186,809)**	**(24,195,881)**	**153,243,492**					

*	Mr. LI Dongsheng resigned as the Chairman and executive director of the Company with effect from 22 September 2017; and subsequently appointed as the Chairman and executive director with effect from 2 March 2018.
**	Ms. XU Fang resigned as an executive director of the Company with effect from 22 September 2017.
***	Mr. WANG Cheng Kevin was appointed as an executive director of the Company with effect from 22 September 2017.
****	Mr. WANG Yi Michael was appointed as an executive director of the Company with effect from 22 September 2017.
*****	Mr. Winston Shao-min CHENG resigned as a non-executive director of the Company with effect from 7 April 2017.
******	Mr. Abulikemu ABULIMITI resigned as a non-executive director of the Company with effect from 22 September 2017.
*******	Mr. LIU Hong was appointed as a non-executive director of the Company with effect from 7 April 2017.
********	Professor SO Wai Man Raymond resigned as a non-executive director of the Company with effect from 25 September 2017.
#	Mr. BO Lianming resigned as the Chairman and executive director of the Company with effect from 2 March 2018.

Note 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 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, 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.

Note 5: Approximately 21% of such share options are exercisable commencing from 9 January 2018, and the remaining approximately 79% are exercisable commencing from 9 January 2019, up to 11 May 2023.

AWARD SCHEME

The Company adopted the restricted share award scheme ("Award Scheme") on 6 February 2008, (as amended or revised from time to time) to recognise and motivate the contribution of certain participants and to provide incentives and help the Group in retaining its existing employees and recruiting additional employees and to provide them with a direct economic interest in attaining the long-term business objectives of the Company, which comprising, as at 31 December 2017, the trust for management and the trust for employees and other details of which are set out in note 32 to the financial statements.

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) LeTV Zhijia (being the immediate holding company of a substantial shareholder of the Company) and its subsidiaries (collectively, the "LeTV Zhijia 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 2017:

On 23 March 2016, pursuant to the Huihaitong shareholders' 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. 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 8 February 2017, TCL Overseas Electronics (Huizhou) Limited ("TCL Overseas Electronics") entered into 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. Chongqing Leshi had provided to TCL Overseas Electronics a factoring finance amounting to HK$76,150,855.69 and no further factoring services had been provided by Chongqing Leshi under the Factoring Contracts.

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 2017:

(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 reimbursement of branding advertising costs was paid by the Group to TCL Group amounting to HK$173,217,000.

(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$13,195,000 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$958,699,000; (ii) purchased overseas materials from TCL Group amounting to HK$944,170,000 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$12,483,946,000; (ii) sold goods to TCL Group amounting to HK$4,501,508,000 during the year.

(e) Pursuant to the Master Financial Services (2014 Renewal) Agreement dated 11 November 2014 entered into among the Company, TCL Finance Company Limited ("Finance Company", a non-wholly owned subsidiary of TCL Corporation) and TCL Corporation, the Company may from time to time utilise the financial services provided by the Finance Company including deposit services and other financial services.

    On 21 March 2017, the Company, Finance Company, TCL Finance (Hong Kong) Co., Limited ("TCL Finance (HK)", a subsidiary of TCL Corporation) and TCL Corporation entered into the Master Financial Services (2017 Renewal) Agreement with a term from the date on which the independent shareholders of the Company approved the said agreement and the transactions contemplated thereunder and the proposed annual caps to 31 December 2019, which is substantially similar in nature as the Master Financial Services (2014 Renewal) Agreement with certain amendments.

The Master Financial Services (2017 Renewal) Agreement, the transactions contemplated thereunder and the proposed annual caps were approved by the independent shareholders on 23 May 2017. The Master Financial Services (2014 Renewal) Agreement was terminated upon the Master Financial Services (2017 Renewal) Agreement coming into effect on 23 May 2017.

During the year ended 31 December 2017 and pursuant to the Master Financial Services (2014 Renewal) Agreement and subsequently Master Financial Services (2017 Renewal) Agreement (during their respective terms), the Group paid financial services charges for the other financial services thereunder amounting to HK$134,000 and received promotion fee amounting to HK$32,507,000 during the year. The maximum outstanding balance of deposits placed by the Group with the Finance Company amounting to HK$4,663,837,000, the maximum outstanding balance of deposits (bank instruments, receivables, machinery or equipments etc.) as security placed by the Group with Finance Company amounting to HK$757,785,000 and the maximum facility provided to the Group by Finance Company with bank instruments, receivables, machinery or equipments etc. as security amounting to HK$757,785,000 during the year.

Pursuant to the Master Financial Services (2014 Renewal) Agreement and subsequently the Master Financial Services (2017 Renewal) Agreement (during their respective terms), if a qualified member of the Group demands repayment of any money deposited by it with the Finance Company (and/or TCL Finance (HK) under the Master Financial Services (2017 Renewal) Agreement) in accordance with the relevant terms and procedure and the Finance Company (and/or TCL Finance (HK) under the Master Financial Services (2017 Renewal) Agreement) fails to follow the repayment demand, such member shall then have the right to:

(i) 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

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

(iii) request TCL Corporation to repay immediately the outstanding deposit amount on behalf of the Finance Company and/or TCL Finance (HK) in full.

There was no collateral provided by the Finance Company or TCL Finance (HK) 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"), an associate of TCL Corporation, the Group may from time to time request Speed Distribution for provision of certain logistics services. The Group paid HK$352,789,000 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) paid subcontracting fees TCL Group amounting to HK$4,960,000; (ii) received subcontracting fees from TCL Group amounting to HK$651,000 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$16,180,000 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$3,583,000 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$6,508,000 was shared by the Group in respect of the provision of value added services to end users; and HK$17,041,000 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$7,526,000 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 amounting to HK$3,384,000; (ii) paid service fee to TCL Group for the Strategic Mutual Research and Mid-to-Long-Term Planning Project amounting to HK$46,264,000 during the year.

(m) Pursuant to the Master After Sale Service (TV Products) (2016 Renewal) Agreement dated 24 October 2016 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$291,024,000 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", indirect subsidiaries of TCL Communication Technology Holdings Limited (a subsidiary of TCL Corporation)), 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$101,000 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$2,527,000 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$74,890,000 during the year.

(q) Pursuant to the Sourcing Framework Agreement (2016) dated 20 May 2016 entered into between the Company and LeTV Zhijia, the Group supplied Products to LeTV Zhijia Group amounting to HK$565,121,000 during the year.

(r) Pursuant to the Key Component Sourcing Agreement (2016) dated 20 May 2016 entered into between the Company and LeTV Zhijia, LeTV Zhijia Group supplied key materials required to produce Products to the Group amounting to HK$152,339,000 during the year.

(s) 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$5,235,000 during the year; (ii) no fitting out fees was paid to TCL Corporate Research during the year; (iii) maximum balance of deposit to be maintained amounting to HK$1,357,000 during the year.

(t) 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$1,635,000 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 38 to the financial statements (except for the transactions with joint ventures and certain associates of the Group and TCL Corporation included in note 38(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 auditors, 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 auditors' 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 43 to 72 in this annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

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

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.

AUDITORS

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

EQUITY-LINKED AGREEMENTS

On 28 November 2017, the Company as issuer and BNP Paribas Securities (Asia) Limited as underwriter entered into the underwriting agreement in respect of the proposed rights issue at the subscription price of HK$3.46 per rights share on the basis of one rights share for every three existing shares of the Company held on the record date of 27 December 2017 ("Rights Issue"). As at 4:00 p.m. on Friday, 12 January 2018, being the latest time for acceptance of applications for the rights shares ("Rights Shares") as set out in the prospectus in relation to the Rights Issue dated 28 December 2017 (the "Prospectus"), in aggregate, a total of 179 valid acceptance and applications in respect of 1,656,946,129 Rights Shares had been received, representing approximately 284.43% of the total number of 582,544,371 Rights Shares available under the Rights Issue. Accordingly, the Rights Issue was over-subscribed by 1,074,401,758 Rights Shares. On 26 January 2018, the Company allotted and issued 582,544,371 Rights Shares. In accordance with the terms of the Underwriting Agreement and given the over-subscription for the Rights Shares, the obligations of the underwriter in respect of the Rights Shares not taken up have been fully discharged and the underwriter is not required to take up any Rights Shares. For details, please refer to the Prospectus and the announcements dated 28 November 2017, 9 January 2018, 18 January 2018 and 25 January 2018 of the Company.

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 and the Underwriting Agreement, 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.

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

The gross proceeds from the subscription by LeTV Zhijia pursuant to the Subscription Agreement were approximately HK$2,267,525,000. The net proceeds from the subscription, after deduction of expenses and professional fees, amounted to approximately HK$2,261,000,000 (the "Subscription Proceeds") amongst which approximately HK$1,437,520,000 had been utilised as at 22 September 2017.

Before Change in Use of Proceeds

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

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

As at 22 September 2017, the use of the Subscription Proceeds has not exceeded the proposed use of the Subscription Proceeds as disclosed in the Subscription Circular and the total balance of the unutilised Subscription Proceeds was approximately HK$822.48 million.

After Change in Use of Proceeds

The Board had on 22 September 2017 resolved to reallocate and utilise the unutilised Subscription Proceeds in the total sum of approximately HK$822.48 million. Please refer to the announcement of the Company published on 22 September 2017 ("Updates Announcement"). As at 31 December 2017, the breakdown of the Company's proposed use of the Subscription Proceeds as stated in the Updates Announcement, the actual use of the Subscription Proceeds from the date of the Updates Announcement to 31 December 2017 are as follows:

Such net proceeds are intended to be used for the following purposes:	Proposed use of the Subscription Proceeds as disclosed in the Updates Announcement HK$ million (approximately)	Actual use of the Subscription Proceeds from the date of the Updates Announcement to 31 December 2017 HK$ million (approximately)	Balance of the unutilised Subscription Proceeds as of 31 December 2017 HK$ million (approximately)
Overseas market expansion in countries tentatively targeting with high population including but not limited to India and Brazil, etc.	176.00	–	176.00
Repayment of loans	618.54	618.54	–
General working capital	27.94	27.94	–
Total	**822.48**	**646.48**	**176.00**

Whilst it has been disclosed in the Updates Announcement that it is expected that all the unutilised Subscription Proceeds will be used in the financial year ending 31 December 2017, it could be seen from the table above that such part of the Subscription Proceeds allocated to "Overseas market expansion in countries tentatively targeting with high population including but not limited to India and Brazil, etc." in the sum of approximately HK$176 million has not yet been utilised, since the Company is still in the course of identifying suitable business opportunity in such overseas market or otherwise exploring the feasible business structure and hence proceeds have not been utilised in such respect yet during the year. Nevertheless, there is no change to the intended use of such part of the Subscription Proceeds as at the date hereof and the Company will utilise the proceeds according to such intended purpose as and when appropriate.

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
28 March 2018

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 110 to 223, which comprise the consolidated statement of financial position as at 31 December 2017, 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 2017, 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 of goodwill	
As at 31 December 2017, the Group had goodwill of HK$119,638,000 which was allocated to a cash-generating unit ("CGU") of PRC television products with the TCL 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 CGU. Recoverable amounts were based on management's estimates of variables such as budgeted gross margins and the most appropriate discount rates. The accounting policies and disclosures in respect of goodwill are included in note 2.4, note 3 and 16 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 pre-tax discount rates, by comparing the cash flow forecast to historical trend analyses and referring to the industry discount rate. We also assessed the historical accuracy of management's estimates and evaluation of business plans by referring to the market situation as at 31 December 2017. Furthermore, we had also involved our internal valuation expert to assist us with our assessment of methodology and the discount rate used to determine recoverable amounts and assessed the results of their work as part of our audit. 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 assessment of trade and other receivables	
As at 31 December 2017, the Group had trade receivables and other receivables of HK$6,466,171,000 and HK$1,249,468,000, respectively, represented around 28.5% and 5.5% 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 judgement 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 22 and note 23 to the Group's consolidated financial statements.	In evaluating management's impairment assessment, our audit procedures included evaluating the ageing of trade and other receivables as at 31 December 2017, 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 2017 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 Tjen, Michael.

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong
28 March 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000 (Restated)
TURNOVER	5	40,822,357	33,361,250
Cost of sales		(34,521,113)	(27,545,467)
Gross profit		6,301,244	5,815,783
Other revenue and gains		820,555	334,150
Selling and distribution expenses		(4,057,165)	(3,911,660)
Administrative expenses		(1,281,132)	(1,129,051)
Research and development costs		(632,401)	(638,162)
Other operating expenses		(100,909)	(175,299)
		1,050,192	295,761
Finance costs	6	(229,175)	(93,102)
Share of profits and losses of:			
Joint ventures		(7,468)	(36,147)
Associates		119,615	34,694
PROFIT BEFORE TAX	7	933,164	201,206
Income tax	10	(136,303)	(24,428)
PROFIT FOR THE YEAR		796,861	176,778

Year ended 31 December 2017

	2017 HK$'000	2016 HK$'000
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Cash flow hedge:		
Effective portion of changes in fair value of the hedging instruments arising during the year	(43,940)	23,062
Reclassification adjustments for losses/(gains) included in the consolidated statement of profit or loss	11,243	(4,605)
	(32,697)	18,457
Exchange differences:		
Translation of foreign operations	351,727	(335,552)
Reclassification adjustments for foreign operations disposed of or liquidated during the year	495	9,321
Reclassification adjustments for deemed partial disposal or liquidation of associates during the year	306	(1,407)
	352,528	(327,638)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	319,831	(309,181)
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive income/(loss) of an associate	8,127	(6,168)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	327,958	(315,349)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	1,124,819	(138,571)

Year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Profit/(loss) attributable to:			
Owners of the parent		814,639	182,764
Non-controlling interests		(17,778)	(5,986)
		796,861	176,778
Total comprehensive income/(loss) attributable to:			
Owners of the parent		1,137,835	(125,842)
Non-controlling interests		(13,016)	(12,729)
		1,124,819	(138,571)
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		(Restated)
Basic		HK47.43 cents	HK11.40 cents
Diluted		HK46.55 cents	HK10.99 cents

31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	1,675,998	1,819,152
Prepaid land lease payments	14	125,801	121,212
Investment properties	15	130,329	–
Goodwill	16	119,638	134,933
Other intangible assets	17	129	1,094
Investments in joint ventures	18	14,291	36,651
Investments in associates	19	1,106,911	597,618
Available-for-sale investments	20	107,835	100,126
Deferred tax assets	31	72,589	34,729
Total non-current assets		3,353,521	2,845,515
CURRENT ASSETS			
Inventories	21	5,058,597	4,349,253
Trade receivables	22	6,466,171	5,100,561
Bills receivable		3,793,118	2,839,571
Other receivables	23	1,249,468	1,246,008
Tax recoverable		29,266	21,270
Derivative financial instruments	24	202,970	24,851
Cash and bank balances	25	5,910,235	3,882,361
Total current assets		22,709,825	17,463,875
CURRENT LIABILITIES			
Trade payables	26	9,753,201	7,373,298
Bills payable		306,879	1,002,284
Other payables and accruals	27	4,555,367	3,609,159
Interest-bearing bank and other borrowings	28	2,905,253	1,353,943
Tax payable		136,599	61,696
Derivative financial instruments	24	194,826	479
Provisions	30	477,920	331,800
Total current liabilities		18,330,045	13,732,659
NET CURRENT ASSETS		4,379,780	3,731,216
TOTAL ASSETS LESS CURRENT LIABILITIES		7,733,301	6,576,731

31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		7,733,301	6,576,731
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	28	21,537	1,700
Deferred tax liabilities	31	15,247	18,686
Total non-current liabilities		36,784	20,386
Net assets		7,696,517	6,556,345
EQUITY			
Equity attributable to owners of the parent			
Issued capital	32	1,747,633	1,736,446
Reserves	33	5,881,091	4,715,999
		7,628,724	6,452,445
Non-controlling interests		67,793	103,900
Total equity		7,696,517	6,556,345

LI Dongsheng
Director

WANG Cheng Kevin
Director

Year ended 31 December 2017

	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))	Retained profits/ accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2017	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
Profit/(loss) for the year	-	-	-	-	-	-	-	-	-	-	814,639	814,639	(17,778)	796,861
Other comprehensive income/(loss) for the year:														
Cash flow hedge	-	-	-	-	-	(32,697)	-	-	-	-	-	(32,697)	-	(32,697)
Exchange differences related to:														
Translation of foreign operations	-	-	-	-	-	-	344,109	-	-	-	-	344,109	7,618	351,727
Reclassification adjustments for foreign operations disposed of during the year	-	-	-	-	-	-	3,351	-	-	-	-	3,351	(2,856)	495
Release upon deemed partial disposal of an associate	-	-	-	-	-	-	306	-	-	-	-	306	-	306
Share of other comprehensive income of an associate	-	-	-	-	-	-	-	8,127	-	-	-	8,127	-	8,127
Total comprehensive income/(loss) for the year	-	-	-	-	-	(32,697)	347,766	8,127	-	-	814,639	1,137,835	(13,016)	1,124,819
Equity-settled share option arrangements	-	-	53,438	-	-	-	-	-	-	-	-	53,438	-	53,438
Issue of shares upon exercise of share options (note 32)	11,187	42,965	(16,634)	-	-	-	-	-	-	-	-	37,518	-	37,518
Forfeiture of share options during the year	-	-	(5,534)	-	-	-	-	-	-	-	5,534	-	-	-
Disposal of a subsidiary (note 35(a))	-	-	-	-	(1,194)	-	-	-	-	-	1,194	-	(22,543)	(22,543)
Capital injection from non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	712	712
Employee share-based compensation benefits under the Award Scheme (note 32)	-	-	-	-	-	-	-	-	-	14,168	-	14,168	-	14,168
Vesting of shares under the Award Scheme	-	-	-	-	-	-	-	-	10,117	(20,330)	-	(10,213)	-	(10,213)
Share of other reserve of an associate	-	-	-	-	-	-	-	8,582	-	-	-	8,582	-	8,582
Transfer from retained profits	-	-	-	-	652	-	-	-	-	-	(652)	-	-	-
2017 interim dividend paid	-	(65,049)	-	-	-	-	-	-	-	-	-	(65,049)	-	(65,049)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(1,260)	(1,260)
At 31 December 2017	1,747,633	4,611,230*	207,570*	57,762*	913,403*	(8,941)*	123,906*	10,541*	(208,197)*	105,975*	67,842*	7,628,724	67,793	7,696,517

* These reserve accounts comprise the consolidated reserves of HK$5,881,091,000 (2016: HK$4,715,999,000) in the consolidated statement of financial position.

Consolidated Statement of Changes in Equity

Year ended 31 December 2017

	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))	Retained profits/ 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

Year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		933,164	201,206
Adjustments for:			
Finance costs	6	229,175	93,102
Share of profits and losses of joint ventures and associates		(112,147)	1,453
Impairment of goodwill	7	15,295	–
Loss/(gain) on disposal of items of property, plant and equipment, net	7	30,374	(2,032)
Loss/(gain) on disposal of subsidiaries	7	1,012	(839)
Loss on liquidation of subsidiaries	7	–	4,952
Gain on liquidation of an associate	7	–	(1,083)
Impairment of investment in a joint venture	7	19,377	–
Interest income	7	(30,724)	(17,845)
Fair value gains on derivative financial instruments, net – transactions not qualifying as hedges	7	(19,669)	(571)
Gain on deemed partial disposal of an associate	7	(220,047)	–
Depreciation of property, plant and equipment	7	222,400	236,297
Depreciation of investment properties	7	308	–
Amortisation of other intangible assets	7	141	223
Amortisation of prepaid land lease payments	7	3,131	3,507
Equity-settled share option expenses	7	51,024	106,580
Employee share-based compensation benefits under the Award Scheme	7	11,928	51,481
		1,134,742	676,431
Increase in inventories		(434,792)	(1,257,713)
Decrease/(increase) in trade receivables		(1,279,008)	323,596
Increase in bills receivable		(765,033)	(280,645)
Decrease in other receivables		64,200	70,129
Increase in trade payables		2,051,514	2,055,175
Decrease in bills payable		(761,744)	(554,626)
Increase in other payables and accruals		772,538	242,220
Increase in provisions		127,779	35,508
Cash generated from operations		910,196	1,310,075
Interest paid		(47,418)	(92,117)
Interest element of finance lease rental payments		(823)	(985)
Income taxes paid		(116,291)	(119,681)
Net cash flows from operating activities		745,664	1,097,292

Consolidated Statement of Cash Flows

Year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Net cash flows from operating activities		745,664	1,097,292
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		30,724	17,845
Dividend received		6,971	30,609
Purchases of items of property, plant and equipment		(157,717)	(113,516)
Prepayment of land lease payments		–	(54,811)
Proceeds from disposal of items of property, plant and equipment		22,872	13,674
Loans to a joint venture		–	(7,756)
Investments in joint ventures		(3,909)	(21,237)
Investments in associates		(128,777)	(142,441)
Disposal of subsidiaries	35(a)	(1,160)	48,380
Decrease in pledged deposits		–	75,765
Net cash flows used in investing activities		(230,996)	(153,488)
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		37,518	3,700
Purchase of shares for the Award Scheme		–	(153,270)
New bank and other loans		6,189,654	5,156,782
Repayment of bank and other loans		(4,659,434)	(5,213,835)
Interest paid		(180,934)	–
Capital element of finance lease rental payments		(3,648)	(3,183)
Decrease in loans from T.C.L. Industries		–	(1,234,413)
Capital contribution from a non-controlling shareholder		712	–
Dividend paid		(51,442)	–
Dividends paid to non-controlling shareholders		(1,260)	(2,223)
Net cash flows from financing activities		1,331,166	820,772
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,845,834	1,764,576
Cash and cash equivalents at beginning of year		3,882,361	2,214,927
Effect of foreign exchange rate changes, net		182,040	(97,142)
CASH AND CASH EQUIVALENTS AT END OF YEAR		5,910,235	3,882,361
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		5,910,235	3,882,361

31 December 2017

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 was 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 2017	2016	Principal activities
Guangzhou Digital Rowa Technology Co., Ltd.**/#	PRC/ Mainland China	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/ Mainland China	RMB10,608,600	100	100	Manufacture and sale of television products
TCL (Vietnam) Corporation Limited	Vietnam	VND141,635,000,000	100	100	Manufacture and sale of television products

31 December 2017

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 2017	2016	Principal activities
TCL Electrical Appliance Sales Co., Ltd.**/#	PRC/ Mainland China	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	EUR29,897,500	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$37,460,700	100	100	Investment holding
TCL King Electrical Appliances (Chengdu) Company Limited**/#	PRC/ Mainland China	RMB100,880,000	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 2017	2016	Principal activities
TCL King Electrical Appliances (Huizhou) Company Limited*/#	PRC/ Mainland China	RMB492,627,185	100	100	Manufacture and sale of television products and trading of components
TCL King Electrical Appliances (Nanchang) Company Limited**/#	PRC/ Mainland China	RMB21,400,000	100	100	Manufacture of television products
TCL King Electrical Appliances (Wuxi) Company Limited**/#	PRC/ Mainland China	RMB78,835,125	70	70	Manufacture of television products
TCL Overseas Electronics (Huizhou) Limited*/#	PRC/ Mainland China	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.	USA	US$129,433,108	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 2017	2016	Principal activities
TCL Optoelectronics Technology (Huizhou) Co., Ltd.@/#	PRC/ Mainland China	RMB576,000,000	100	100	Manufacture and sale of television products and trading of components
Huizhou TCL Coretronic Co., Ltd. #	PRC/ Mainland China	RMB32,000,000	100	100	Manufacture of television components
Toshiba Visual Products (China) Co., Ltd. **/#	PRC/ Mainland China	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
Chengdu TCL Xinan Electrical Appliance Sales Co., Ltd.#	PRC/ Mainland China	RMB10,000,000	100	-	Operation of a distribution network in the PRC

@ 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 the direct translation from their Chinese names for identification purposes only

None of the above subsidiaries has debt securities.

Details of subsidiaries disposed of during 2017 and 2016 are set out in note 35 to the financial statements.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, materially contribute to the net income of the Group or formed a material 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 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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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 adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of the Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 Included in *Annual Improvements to HKFRSs 2014-2016 Cycle*	*Disclosure of interests in Other Entities: Clarification of the Scope of HKFRS 12*

None of the above amendments to HKFRSs has had a significant financial effect on these financial statements. Disclosure has been made in note 35(c) to the financial statements upon the adoption of amendments to HKAS 7, which require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

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

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

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

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

	Year ended 31 December 2017 HK$'000	Year ended 31 December 2016 HK$'000
Decrease in selling and distribution expenses	**11,577**	17,798
Decrease in administrative expenses	**3,297**	4,203
Decrease in cost of sales	**18,075**	10,714
Decrease in other revenue and gains	**(32,949)**	(32,715)
Increase/(decrease) in profit before tax and profit for 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*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
HKFRS 9	*Financial Instruments*[1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[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*[1]
Amendments to HKFRS 15	*Clarification to HKFRS 15 Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements 2014-2016 Cycle	*Amendments to HKFRS 1 and HKAS 28*[1]
Annual Improvements 2015-2017 Cycle	*Amendments to a number of HKFRSs*[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

The actual impacts upon adoption could be different to those below, depending on additional reasonable and supportable information being made available to the Group at the time of applying the standards and the transitional provisions and policy options finally adopted.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs (CONTINUED)

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 an 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. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if they elect to adopt for all three amendments and other criteria are met. The Group will 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 will adopt HKFRS 9 from 1 January 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018. During 2017, the Group has performed a detailed assessment of the impact of the adoption HKFRS 9. The expected impacts relate to the classification and measurement and the impairment requirement and are summarised as follows:

(a) Classification and measurement

The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investment are derecognised.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs (CONTINUED)

(b) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months.

In general, the directors of the Company anticipate the application of the expected loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by the Group as at 1 January 2018 would be slightly increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on trade receivables. Such further impairment recognised under expected credit loss model would reduce the opening retained earnings and increase the deferred tax assets as at 1 January 2018.

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 adoption now.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs (CONTINUED)

HKFRS 15, issued in July 2014, 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. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. 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 plans to adopt the transitional provisions in HKFRS 15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2018. In addition, the Group plans to apply the new requirements only to contracts that are not completed before 1 January 2018. The Group expects that the transitional adjustment to be made on 1 January 2018 upon initial adoption of HKFRS 15 will not be material.

The directors of the Company have assessed the impact on application of HKFRS 15. Since the warranties provided by the Group are assurance-type warranties which is not a separate performance obligation from the manufacture and sale of television sets, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods. However, the application of HKFRS 15 in the future may result in more disclosures.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs (CONTINUED)

HKFRS 16, issued in May 2016, 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 elective 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, or relates to a class of property, plant and equipment to which the revaluation model is applied. 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. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt HKFRS 16 from 1 January 2019. The Group is currently assessing the impact of HKFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. As disclosed in note 36 to the financial statements, at 31 December 2017, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately HK$101,441,000. Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs (CONTINUED)

Amendments to HKAS 28 issued in January 2018 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group expects to adopt the amendments on 1 January 2019 and will assess its business model for such long-term interests based on the facts and circumstances that exist on 1 January 2019 using the transitional requirements in the amendments. The Group also intends to apply the relief from restating comparative information for prior periods upon adoption of the amendments.

Amendments to HKAS 40, issued in April 2017, clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to the changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at the date that it first applies the amendments and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application is only permitted if it is possible without the use of hindsight. The Group expects to adopt the amendments prospectively from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

HK (IFRIC)-Int 22, issued in June 2017, provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. Entities may apply the interpretation on a full retrospective basis or on a prospective basis, either from the beginning of the reporting period in which the entity first applies the interpretation or the beginning of the prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Group expects to adopt the interpretation prospectively from 1 January 2018. The interpretation is not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs (CONTINUED)

HK (IFRIC)-Int 23, issued in July 2017, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

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.

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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.

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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%

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.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation (continued)

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.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are stated at cost less accumulated depreciation and any impairment losses.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill) (continued)

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.

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.

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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.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

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; or

- 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 and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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 deducted from the related expense 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 deducted in arriving at the carrying amount of the relevant asset and is released to profit or loss over the expected useful life of the depreciated asset by way of a reduced depreciation charge.

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;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

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

(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. Proposed final dividends are disclosed in the notes to the financial statements.

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:

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3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (CONTINUED)

Judgement (continued)

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. During the year, the Group's certain land and buildings which located in North America and Hong Kong were rented out. The total carry amount and market value as at 31 December 2017 were HK$130,329,000 and HK$321,739,000, respectively. Further details are given in note 15 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 2017 was HK$119,638,000 (2016: HK$134,933,000). Further details are given in note 16 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.

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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	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:												
Sales to external customers	19,774,485	19,172,524	20,948,681	13,920,796	99,191	267,930	40,822,357	33,361,250	–	–	40,822,357	33,361,250
Intersegment sales	1,772,011	578,060	1,130,427	219,744	44,309	57,188	2,946,747	854,992	(2,946,747)	(854,992)	–	–
Total	21,546,496	19,750,584	22,079,108	14,140,540	143,500	325,118	43,769,104	34,216,242	(2,946,747)	(854,992)	40,822,357	33,361,250
Segment results	466,291	218,621	479,579	393,230	(37,677)	25,663	908,193	637,514	–	–	908,193	637,514
Corporate income/(expenses), net							111,275	(359,598)			111,275	(359,598)
Finance costs							(229,175)	(93,102)			(229,175)	(93,102)
Interest income							30,724	17,845			30,724	17,845
Share of profits and losses of:												
Joint ventures	–	–	4,078	8,042	(11,546)	(44,189)	(7,468)	(36,147)			(7,468)	(36,147)
Associates	5,551	2,844	72,865	14,775	41,199	17,075	119,615	34,694			119,615	34,694
Profit before tax							933,164	201,206			933,164	201,206
Income tax							(136,303)	(24,428)			(136,303)	(24,428)
Profit for the year							796,861	176,778			796,861	176,778
Other segment information:												
Depreciation and amortisation	186,588	193,204	14,194	15,518	25,198	31,305	225,980	240,027	–	–	225,980	240,027
Investments in joint ventures	–	–	14,291	10,184	–	26,467	14,291	36,651	–	–	14,291	36,651
Investments in associates	177,326	144,995	274,657	144,960	654,928	307,663	1,106,911	597,618	–	–	1,106,911	597,618

Geographical information

	PRC		Europe		North America		Others		Consolidated	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	19,827,842	19,372,622	1,296,437	1,358,001	7,010,264	2,877,780	12,687,814	9,752,847	40,822,357	33,361,250
Non-current assets	2,648,398	2,336,340	120,900	125,245	176,307	175,885	335,327	173,316	3,280,932	2,810,786

The revenue information above is based on the locations of the customers. The non-current asset 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 2017 and 2016, 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:

	2017 HK$'000	2016 HK$'000
Interest on:		
Bank and other loans	205,467	59,486
Discounted bills receivables from an associate	22,821	6,356
Loans from T.C.L. Industries	–	25,424
Loans from an associate	64	851
Finance leases	823	985
Total	229,175	93,102

7. PROFIT BEFORE TAX

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

	Notes	2017 HK$'000	2016 HK$'000 (Restated)
Cost of inventories sold		34,521,113	27,545,467
Depreciation of property, plant and equipment	13	222,400	236,297
Depreciation of investment properties	15	308	–
Research and development costs		632,401	638,162
Amortisation of other intangible assets	17	141	223
Amortisation of prepaid land lease payments	14	3,131	3,507
Minimum lease payments under operating leases in respect of land and buildings		78,672	107,448
Auditor's remuneration		9,600	9,500
Employee benefit expenses (including directors' remuneration):	8		
Wages and salaries		2,252,544	2,076,444
Equity-settled share option expenses		51,024	106,580
Employee share-based compensation benefits under the Award Scheme		11,928	51,481
Defined contribution expenses		241,189	241,669
		2,556,685	2,476,174

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7. PROFIT BEFORE TAX (CONTINUED)

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

	Notes	2017 HK$'000	2016 HK$'000 (Restated)
Foreign exchange differences, net		(166,825)	(44,688)
Impairment/(reversal of impairment) of trade receivables, net	22	34,689**	(8,384)
Impairment of goodwill	16	15,295**	–
Impairment of investment in a joint venture	18	19,377**	–
Impairment of other receivables		–	170,099**
Write-down of inventories to net realisable value		55,502	2,390
Fair value gains on derivative financial instruments, net – transactions not qualifying as hedges	24	(19,669)	(571)
Realised loss/(gain) on settlement of derivative financial instruments		100,617	(17,063)
Rental income, net		(18,021)	(11,741)
Interest income		(30,724)	(17,845)
Government grants*:			
Credited to other revenue and gains		(187,314)	(156,630)
Deducted from costs of sales and relevant expenses		(43,513)	(32,714)
		(230,827)	(189,344)
Loss/(gain) on disposal of items of property, plant and equipment, net		30,374**	(2,032)
Loss/(gain) on disposal of subsidiaries	35(a)	1,012**	(839)
Loss on liquidation of subsidiaries	35(b)	–	4,952**
Gain on deemed partial disposal of an associate		(220,047)	–
Gain on liquidation of an associate		–	(1,083)
Restructuring costs provision, net**		161	248
Product warranty provision:	30		
Additional provision		330,945	234,978
Reversal of unutilised provision		(20,758)	(55,019)
		310,187	179,959

Notes:

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

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

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:

	2017 **HK$'000**	2016 HK$'000
Fees	**1,542**	1,388
Other emoluments:		
Salaries, allowances and benefits in kind	**2,749**	2,854
Discretionary performance related bonuses	**889**	881
Equity-settled share option benefits	**3,671**	9,142
Employee share-based compensation benefits under the Award Scheme	**1,037**	4,251
Pension scheme contributions	**144**	112
	8,490	17,240
	10,032	18,628

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8. DIRECTORS' REMUNERATION (CONTINUED)

(a) Independent non-executive directors

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

	2017				2016			
	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. Robert Maarten WESTERHOF	300	49	–	349	300	124	–	424
Dr. TSENG Shieng-chang Carter (note (i))	–	–	–	–	–	–	–	–
Professor SO Wai Man Raymond (note (ii))	219	15	–	234	300	164	–	464
Professor WANG Yijiang	300	86	–	386	275	81	–	356
Mr. LAU Siu Ki (note (iii))	48	–	–	48	–	–	–	–
	867	150	–	1,017	875	369	–	1,244

No other emoluments were payable to the independent non-executive directors during the year (2016: 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
2017							
Executive directors:							
Mr. LI Dongsheng (note (iv))	–	471	–	544	–	22	1,037
Mr. BO Lianming	–	1,221	–	1,505	570	–	3,296
Mr. WANG Cheng Kevin (note (v))	–	274	–	222	55	35	586
Mr. YAN Xiaolin	–	–	411	246	–	–	657
Mr. WANG Yi Michael (note (v))	–	345	–	249	119	30	743
Ms. XU Fang (note (iv))	–	438	48	615	293	57	1,451
	–	2,749	459	3,381	1,037	144	7,770
Non-executive directors:							
Mr. Albert Thomas DA ROSA, Junior	225	–	–	49	–	–	274
Mr. HUANG Xubin	–	–	430	49	–	–	479
Mr. ZHANG Zhiwei (note (vi))	25	–	–	–	–	–	25
Mr. LIU Hong (note (vii))	166	–	–	42	–	–	208
Mr. LIANG Jun (note (viii))	37	–	–	–	–	–	37
Mr. Abulikemu ABULIMITI (note (ix))	163	–	–	–	–	–	163
Mr. Winston Shao-min CHENG (note (x))	59	–	–	–	–	–	59
	675	–	430	140	–	–	1,245
	675	2,749	889	3,521	1,037	144	9,015

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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$'000 (Note)	Equity-settled share option benefits HK$'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	144	–	–	57	–	–	201
Mr. Abulikemu ABULIMITI	144	–	–	57	–	–	201
	513	–	417	362	–	–	1,292
	513	2,854	881	8,773	4,251	112	17,384

Note: The discretionary bonus is determined with reference to the financial performance of the Group and the performance of the individual director.

8. DIRECTORS' REMUNERATION (CONTINUED)

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

Notes:

(i) Dr. TSENG Shieng-chang Carter agreed to waive his remuneration as director for the year ended 31 December 2017 of HK$300,000 (2016: HK$300,000) and such remuneration will be donated by the Company for charity use.

(ii) Professor SO Wai Man Raymond resigned as an independent non-executive director of the Company with effect from 25 September 2017.

(iii) Mr. LAU Siu Ki was appointed as an independent non-executive director of the Company with effect from 3 November 2017.

(iv) Mr. LI Dongsheng and Ms. XU Fang resigned as executive directors of the Company with effect from 22 September 2017.

(v) Mr. WANG Yi Michael and Mr. WANG Cheng Kevin were appointed as executive directors of the Company with effect from 22 September 2017.

(vi) Mr. ZHANG Zhiwei was appointed as a non-executive director of the Company with effect from 21 November 2017.

(vii) Mr. LIU Hong was appointed as a non-executive director of the Company with effect from 7 April 2017.

(viii) Mr. LIANG Jun was appointed as a non-executive director of the Company with effect from 22 September 2017 and resigned with effect from 21 November 2017.

(ix) Mr. Abulikemu ABULIMITI resigned as a non-executive director of the Company with effect from 22 September 2017.

(x) Mr. Winston Shao-min CHENG resigned as a non-executive director of the Company with effect from 7 April 2017.

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

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9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2016: two), details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three (2016: three) non-director, highest paid employees for the year are as follows:

	2017 HK$'000	2016 HK$'000
Salaries, allowances and benefits in kind	3,203	2,408
Discretionary performance related bonuses	1,406	2,987
Equity-settled share option benefits	1,800	4,992
Employee share-based compensation benefits under the Award Scheme	453	4,300
Pension scheme contributions	255	302
	7,117	14,989

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

	Number of employees	
	2017	2016
HK$2,000,001 to HK$2,500,000	2	–
HK$2,500,001 to HK$3,000,000	1	–
HK$3,000,001 to HK$3,500,000	–	1
HK$5,000,001 to HK$5,500,000	–	1
HK$6,000,001 to HK$6,500,000	–	1
	3	3

10. INCOME TAX

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

	2017 HK$'000	2016 HK$'000
Current – Hong Kong		
Charge for the year	4,230	1,713
(Overprovision)/underprovision in prior years	(100)	106
Current – Elsewhere		
Charge for the year	169,054	75,892
Underprovision/(overprovision) in prior years	2,354	(33,969)
Deferred (note 31)	(39,235)	(19,314)
Total tax charge for the year	136,303	24,428

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:

	2017 HK$'000	2016 HK$'000
Profit before tax	933,164	201,206
Tax at the statutory/applicable tax rates of different countries/jurisdictions	87,539	95,951
Lower tax rates for specific provinces or enacted by local authority	(78,269)	(101,711)
Adjustments in respect of current tax of previous periods	2,254	(33,863)
Profits and losses attributable to joint ventures and associates	(28,036)	363
Income not subject to tax	(9,554)	(47,941)
Expenses not deductible for tax	146,008	88,026
Tax losses utilised from previous periods	(32,991)	(64,665)
Tax losses not recognised	49,352	88,268
Tax charge at the Group's effective rate	136,303	24,428

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10. INCOME TAX (CONTINUED)

The share of tax attributable to joint ventures and associates amounting to tax charge of HK$1,239,000 (2016: tax charge of HK$639,000) and tax credit of HK$29,275,000 (2016: tax charge of HK$26,793,000), 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 total exemption of corporate income tax for two years and a half reduction of corporate income tax for the following next three years.

11. DIVIDENDS

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

(a) The interim dividend proposed was HK3.90 cents per ordinary share and the total amounts proposed and paid are HK$67,986,000 and HK$65,049,000, respectively.

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

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

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

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

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

The weighted average numbers of ordinary shares adopted in the calculation of the basic and diluted earnings per share for both years have been adjusted retrospectively to reflect the impact of the Rights Issue (as defined in note 41(a)) completed on 25 January 2018.

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

	2017	2016
	HK$'000	HK$'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	**814,639**	182,764

	Number of shares	
	2017	2016
		(Restated)
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	**1,717,592,405**	1,602,611,233
Effect of dilution – weighted average number of ordinary shares:		
Share options	**10,662,462**	23,976,998
Awarded shares	**21,684,311**	36,640,684
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	**1,749,939,178**	1,663,228,915

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 2017							
At 31 December 2016 and at 1 January 2017:							
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
At 1 January 2017, net of accumulated depreciation and impairment	1,299,104	60,807	389,793	39,088	13,901	16,459	1,819,152
Additions	11,575	8,070	29,437	37,375	404	70,856	157,717
Disposal of a subsidiary (note 35 (a))	–	–	(3)	(4)	–	–	(7)
Disposals	–	(560)	(41,190)	(4,410)	(7,086)	–	(53,246)
Depreciation provided during the year (note 7)	(73,100)	(22,217)	(74,319)	(49,275)	(3,489)	–	(222,400)
Transfer to investment properties (note 15)	(123,212)	(5,915)	–	–	–	(1,163)	(130,290)
Transfers	15,156	(10,213)	55,744	8,174	–	(68,861)	–
Exchange realignment	44,304	2,858	48,610	7,005	1,037	1,258	105,072
At 31 December 2017, net of accumulated depreciation and impairment	1,173,827	32,830	408,072	37,953	4,767	18,549	1,675,998
At 31 December 2017:							
Cost	1,736,277	213,428	1,095,889	292,039	20,914	18,549	3,377,096
Accumulated depreciation and impairment	(562,450)	(180,598)	(687,817)	(254,086)	(16,147)	–	(1,701,098)
Net carrying amount	1,173,827	32,830	408,072	37,953	4,767	18,549	1,675,998

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 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)

Note: As at 31 December 2017, certain buildings of the Group situated in Hohhot, the PRC, with an aggregate carrying amount of HK$130,588,000 (2016: HK$129,886,000) did not have the building ownership certificates registered under the names of the respective subsidiaries 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 2017 were HK$2,967,000 (2016: HK$3,755,000) and HK$1,791,000 (2016: HK$2,267,000), respectively.

14. PREPAID LAND LEASE PAYMENTS

	2017	2016
	HK$'000	HK$'000
Carrying amount at 1 January	**123,415**	134,299
Additions	**–**	54,811
Disposal of subsidiaries (note 35(a))	**–**	(55,197)
Amortised during the year (note 7)	**(3,131)**	(3,507)
Exchange realignment	**7,794**	(6,991)
Carrying amount at 31 December	**128,078**	123,415
Current portion included in other receivables (note 23)	**(2,277)**	(2,203)
Non-current portion	**125,801**	121,212

15. INVESTMENT PROPERTIES

	2017 HK$'000	2016 HK$'000
Carrying amount at 1 January	–	–
Transfer from property, plant and equipment (note 13)	130,290	–
Depreciation provided during the year (note 7)	(308)	–
Exchange realignment	347	–
Carrying amount at 31 December	130,329	–

The Group's investment properties mainly consist of two industrial properties located in Hong Kong and North America with the carrying amounts of HK$11,847,000 and HK$118,482,000, respectively, and are held under operating lease arrangements.

According to the valuation results provided by independent third parties, the fair values of the investment properties located in Hong Kong and North America approximate to HK$106,000,000 and HK$215,739,000, respectively.

16. GOODWILL

	HK$'000
At 1 January 2016 and 31 December 2016	
Cost	170,621
Accumulated impairment	(35,688)
Net carrying amount	134,933
Cost at 1 January 2017, net of accumulated impairment	134,933
Impairment during the year (note 7)	(15,295)
Cost at 31 December 2017, net of accumulated impairment	119,638
At 31 December 2017	
Cost	170,621
Accumulated impairment	(50,983)
Net carrying amount	119,638

16. GOODWILL (CONTINUED)

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 19% and 14% (2016: 16.5% and 16.8%).

The impairment of goodwill of HK$15,295,000 in 2017 was related to the CGU of the Toshiba Brand. The impairment was made with reference to the estimated recoverable amount which was determined based on value in use calculation using cash flow projection approved by senior management. The discount rate applied to the cash flow projection was 14%. Management was of the view that such impairment was mainly caused by the decrease in budgeted profit after the restructuring of Toshiba Corporation in 2017.

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
As at 31 December 2016	119,638	15,295	134,933
As at 31 December 2017	**119,638**	**–**	**119,638**

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

17. OTHER INTANGIBLE ASSETS

	Patents and licences HK$'000	Trademarks HK$'000	Customer relationships HK$'000	Total HK$'000
31 December 2017				
Cost at 1 January 2017, net of accumulated amortisation and impairment	–	881	213	1,094
Amortisation provided during the year (note 7)	–	(40)	(101)	(141)
Disposal of a subsidiary (note (35(a))	–	(849)	–	(849)
Exchange realignment	–	8	17	25
At 31 December 2017	–	–	129	129
At 31 December 2017:				
Cost	16,172	2,631	484	19,287
Accumulated amortisation and impairment	(16,172)	(2,631)	(355)	(19,158)
Net carrying amount	–	–	129	129
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

18. INVESTMENTS IN JOINT VENTURES

	2017 HK$'000	2016 HK$'000
Share of net assets	22,003	28,895
Loans to a joint venture	11,665	7,756
	33,668	36,651
Provision for impairment	(19,377)	–
	14,291	36,651

The Group's trade receivables due from a joint venture are disclosed in note 22 to the financial statements.

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

	2017 HK$'000	2016 HK$'000
Share of the joint ventures' losses for the year	(7,468)	(36,147)
Share of the joint ventures' total comprehensive loss for the year	(7,468)	(36,147)
Aggregate carrying amount of the Group's investments in the joint ventures	14,291	36,651

The Group has discontinued the recognition of its share of losses of joint ventures TCL-IMAX Entertainment Co., Ltd. and TCL Smart Home Technologies Co., Ltd because the share of losses of these joint ventures exceeded the Group's interest in the relevant joint ventures and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of losses of these joint ventures for the current year and cumulatively were HK$13,506,000 (2016: nil) and HK$11,629,000 (2016: nil), respectively. An impairment of HK$11,665,000 was recognised related to loans to TCL-IMAX Entertainment Co., Ltd. during the year ended 31 December 2017.

19. INVESTMENTS IN ASSOCIATES

	2017 HK$'000	2016 HK$'000
Share of net assets	1,068,046	535,255
Goodwill on acquisition	38,865	62,363
	1,106,911	597,618

Particulars of the Group's material associates 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/ Mainland China	14	Note(a)
Shenzhen Thunderbird Network Technology Co., Ltd.* ("Thunderbird Technology")	RMB121,621,621	PRC/ Mainland China	44.45	Note(b)

* The English names of the companies are not official and are the direct translation from their Chinese names for identification purpose only

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.

19. INVESTMENTS IN ASSOCIATES (CONTINUED)

Notes:

(a) Finance Company

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 and is accounted for using the equity method.

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.

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	
	2017	2016
	HK$'000	HK$'000
Current assets	**24,267,657**	18,469,995
Non-current assets	**14,480,108**	16,446,919
Current liabilities	**(36,352,027)**	(32,851,346)
Net assets	**2,395,738**	2,065,568
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	**335,403**	289,179
Revenue	**725,336**	276,209
Profit for the year	**209,464**	121,474
Total comprehensive income for the year	**209,464**	121,474
Dividend received	**30,371**	10,192

19. INVESTMENTS IN ASSOCIATES (CONTINUED)

Notes: (continued)

(b) Thunderbird Technology

Thunderbird Technology is an investment holding company incorporated in May 2017 which holds three subsidiaries in PRC and one subsidiary in Hong Kong (collectively referred as to the "Thunderbird Group"). The Thunderbird Group principally engaged in research and development, manufacture and trading of "Thunderbird" brand internet smart TVs in the PRC.

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

	Thunderbird Group 2017 HK$'000
Current assets	335,399
Non-current assets	425,212
Current liabilities	(93,854)
Net assets	666,757
Reconciliation to the Group's interest in the associate:	
Percentage of the Group's interest	44.45%
Group's share of net assets of the associate and carrying amount of the investment	296,344
Revenue	124,813
Loss for the year	(10,156)
Total comprehensive loss for the year	(10,156)

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

	2017 HK$'000	2016 HK$'000
Share of the associates' profit for the year	92,999	17,688
Share of the associates' other comprehensive income/(loss) for the year	8,127	(6,168)
Share of the associates' total comprehensive income for the year	101,126	11,520
Aggregate carrying amount of the Group's investments in these associates	475,164	308,439

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20. AVAILABLE-FOR-SALE INVESTMENTS

	2017	2016
	HK$'000	HK$'000
Unlisted equity investments, at cost	**109,517**	101,808
Accumulated impairment	**(1,682)**	(1,682)
	107,835	100,126

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.

21. INVENTORIES

	2017	2016
	HK$'000	HK$'000
Raw materials	**1,583,275**	1,458,922
Work in progress	**231,703**	240,397
Finished goods	**3,243,619**	2,649,934
	5,058,597	4,349,253

22. TRADE RECEIVABLES

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

(a) As at 31 December 2017 and 2016, the amounts were interest-free, unsecured and repayable within one year.

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 tenures ranging from 90 to 180 days. Sales to certain long term strategic customers were made on the open-account basis with credit terms of no more than 180 days.

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 collateral or other credit enhancements over its trade receivables. Trade receivables are non-interest-bearing.

22. TRADE RECEIVABLES (CONTINUED)

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

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

The movements in the provision for impairment of trade receivables are as follows:

	Note	2017 HK$'000	2016 HK$'000
At 1 January		199,925	225,855
Impairment losses recognised	7	49,859	8,123
Impairment losses reversed	7	(15,170)	(16,507)
Amount written off as uncollectible		(8,092)	(14,192)
Exchange realignment		7,854	(3,354)
At 31 December		234,376	199,925

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.

22. TRADE RECEIVABLES (CONTINUED)

The ageing analysis of the trade receivables that are not considered to be impaired is as follows:

	2017 HK$'000	2016 HK$'000
Neither past due nor impaired	5,578,742	4,378,750
Less than 91 days past due	577,724	417,890
91 to 180 days past due	85,449	96,973
Over 180 days past due	224,256	206,948
	6,466,171	5,100,561

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.

23. OTHER RECEIVABLES

	Notes	2017 HK$'000	2016 HK$'000
Prepayments and deposits		231,840	205,649
Other receivables		320,062	169,658
VAT receivables		689,302	823,719
Prepaid land lease payments	14	2,277	2,203
Dividend receivables		106	–
Due from companies controlled by TCL Corporation	(a)	5,881	44,442
Due from associates of TCL Corporation	(a)	–	337
		1,249,468	1,246,008

(a) As at 31 December 2017 and 2016, the amounts were interest-free, unsecured and repayable within one year.

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.

24. DERIVATIVE FINANCIAL INSTRUMENTS

	2017		2016	
	Assets HK$'000	**Liabilities HK$'000**	Assets HK$'000	Liabilities HK$'000
Forward currency contracts	202,970	188,339	24,851	479
Options contracts	–	6,487	–	–
	202,970	194,826	24,851	479

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 losses of HK$32,697,000 (2016: net gains of HK$18,457,000) were included in the hedging reserve as follows:

	2017 HK$'000	2016 HK$'000
Total fair value (losses)/gains included in the hedging reserve	(43,940)	23,062
Reclassified from other comprehensive income and recognised in profit or loss	11,243	(4,605)
Net (losses)/gains on cash flow hedges	(32,697)	18,457

24. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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$19,669,000 (2016: net gains of HK$571,000) 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 2017.

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.

25. 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.

Included in the Group's cash and bank balances are deposits of HK$4,483,394,000 (2016: HK$2,287,867,000) 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% (2016: from 0.420% to 1.380%) 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 38 to the financial statements.

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26. TRADE PAYABLES

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

(a) As at 31 December 2017 and 2016, the amounts were interest-free, unsecured and repayable within one year.

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

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

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

27. OTHER PAYABLES AND ACCRUALS

	Notes	2017 HK$'000	2016 HK$'000
Other payables	(a)	3,248,708	2,188,151
Accruals		757,209	608,165
Dividend payables		13,611	11
Receipts in advance		431,178	684,808
Due to companies controlled by TCL Corporation	(b)	104,661	127,675
Due to T.C.L. Industries	(b)	–	349
		4,555,367	3,609,159

Notes:

(a) The other payables are non-interest-bearing and are expected to be settled within one year.

(b) As at 31 December 2017 and 2016, the amounts are interest-free, unsecured and repayable within one year.

28. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2017			2016		
	Contractual interest rate (%)	Maturity	HK$'000	Contractual interest rate (%)	Maturity	HK$'000
Current						
Bank loans – unsecured	2.65 to 3.93	2018	2,300,114	1.26 to 2.60	2017	850,549
Trust receipt loans – unsecured	LIBOR + 0.8	2018	603,036	LIBOR + 0.8	2017	332,551
Other loans (note 22)	–	–	–	8.00	2017	167,051
Finance lease payables (note 29)	14.60	2018	2,103	14.60	2017	3,792
			2,905,253			1,353,943
Non-current						
Bilateral loans – unsecured	0.8	2020	21,537	–	–	–
Finance lease payables (note 29)	–	–	–	14.60	2018	1,700
			2,926,790			1,355,643

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28. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

	2017 **HK$'000**	2016 HK$'000
Analysed into:		
Bank and other loans repayable:		
Within one year or on demand	**2,903,150**	1,350,151
In the second year	**–**	–
In the third year	**21,537**	–
	2,924,687	1,350,151
Finance lease repayable:		
Within one year	**2,103**	3,792
In the second year	**–**	1,700
	2,103	5,492
	2,926,790	1,355,643

Notes:

(a) As at 31 December 2017 and 2016, the carrying amounts of the Group's bank and other borrowings approximated to their fair values.

(b) TCL Corporation has guaranteed certain of the Group's bank loans up to HK$691,577,000 (2016: HK$100,626,000) as at the end of the reporting period.

Included in bank and other loans is the following amount denominated in a currency other than the functional currencies of the entities to which it relates:

	2017 **HK$'000**	2016 HK$'000
United States dollar	**2,719,335**	1,082,473

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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 one year.

At 31 December, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments 2017 HK$'000	Minimum lease payments 2016 HK$'000	Present value of minimum lease payments 2017 HK$'000	Present value of minimum lease payments 2016 HK$'000
Amounts payable:				
Within one year	2,193	4,099	2,103	3,792
In the second year	–	2,049	–	1,700
Total minimum finance lease payments	2,193	6,148	2,103	5,492
Future finance charges	(90)	(656)		
Total net finance lease payables	2,103	5,492		
Portion classified as current liabilities (note 28)	(2,103)	(3,792)		
Non-current portion (note 28)	–	1,700		

30. PROVISIONS

	Note	Restructuring costs HK$'000	Warranties HK$'000	Total HK$'000
At 1 January 2017		1,749	330,051	331,800
Additional provision	7	1,085	330,945	332,030
Amount utilised during the year		(306)	(182,264)	(182,570)
Reversal of unutilised amounts	7	(924)	(20,758)	(21,682)
Exchange realignment		15	18,327	18,342
At 31 December 2017		1,619	476,301	477,920

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

	Note	Depreciation allowance in excess of related depreciation HK$'000	Changes in fair value HK$'000	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Total HK$'000
At 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 and 1 January 2017		4,289	–	14,397	18,686
Deferred tax charged/(credited) to profit or loss during the year	10	(1,071)	876	(3,345)	(3,540)
Exchange realignment		25	30	46	101
Gross deferred tax liabilities at 31 December 2017		3,243	906	11,098	15,247

31. DEFERRED TAX (CONTINUED)

The movements in deferred tax liabilities and assets during the year are as follows: (continued)

Deferred tax assets

	Note	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$'000	Changes in fair value HK$'000	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Total HK$'000
At 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 and 1 January 2017		16,000	11,174	1,526	–	6,029	34,729
Deferred tax credited/(charged) to profit or loss during the year	10	(5,377)	(1,522)	(4)	42,943	(345)	35,695
Exchange realignment		56	99	166	1,479	365	2,165
Gross deferred tax assets at 31 December 2017		10,679	9,751	1,688	44,422	6,049	72,589

The Group has tax losses of HK$4,862,482,000 (2016: HK$4,747,504,000) 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 2017, 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$4,162,749,000 at 31 December 2017 (2016: HK$3,837,018,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

32. SHARE CAPITAL

Shares

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

32. SHARE CAPITAL (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 2016		1,386,361,214	1,386,361	2,710,269	4,096,630
Issue of shares under a subscription agreement	(b)	348,850,000	348,850	1,918,675	2,267,525
Share issue expenses	(b)	–	–	(311)	(311)
Issue of shares upon exercise of share options	(a)	1,235,091	1,235	4,681	5,916
At 31 December 2016 and 1 January 2017		1,736,446,305	1,736,446	4,633,314	6,369,760
Dividend paid to shareholders	11	–	–	(65,049)	(65,049)
Issue of shares upon exercise of share options	(a)	11,186,809	11,187	42,965	54,152
At 31 December 2017		1,747,633,114	1,747,633	4,611,230	6,358,863

Notes:

(a) During the year ended 31 December 2017, the subscription rights attached to 4,786,288, 20,000, 6,333,447 and 47,074 share options were exercised at the subscription prices of HK$3.17, HK$4.60, HK$3.48 and HK$4.50 per share, respectively, resulting in the issue of an aggregate of 11,186,809 shares of HK$1.00 each for a total cash consideration of HK$37,518,000, before expenses. An amount of HK$16,634,000 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 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.

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

32. SHARE CAPITAL (CONTINUED)

Share options

The Company adopted the share option scheme on 15 February 2007 ("2007 Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. By a shareholders' resolution passed in the annual general meeting held on 18 May 2016, the new share option scheme ("2016 Scheme") was adopted and the 2007 Scheme was terminated. As a result, the Company can no longer grant any further options under the 2007 Scheme but all options granted prior to the termination of the 2007 Scheme will remain in full force and effect. Eligible participants of the 2007 Scheme include the 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 2016 Scheme mainly refined the definition of "any other person" in the eligible participants of the 2007 Scheme to employees and officers of TCL Corporation and its affiliated companies. The 2016 Scheme became effective on 18 May 2016 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

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

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

The following share options were outstanding under the Scheme during the year:

	2017		2016	
	Weighted average exercise price per share HK$	**Number of options '000**	Weighted average exercise price per share HK$	Number of options '000
At 1 January	**3.808**	**171,050**	3.743	175,898
Granted during the year	**3.830**	**17,576**	4.500	15,107
Forfeited during the year	**3.841**	**(24,196)**	3.795	(18,720)
Exercised during the year	**3.354**	**(11,187)**	3.223	(1,235)
At 31 December	**3.838**	**153,243**	3.808	171,050

The weighted average share price at the date of exercise for share options exercised during the year ended 31 December 2017 was HK$4.841 per share (2016: HK$4.790 per share).

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32. SHARE CAPITAL (CONTINUED)

Share options (continued)

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2017

Number of options '000	Exercise price per share* HK$	Exercise period
33,122	4.60	Note 2
91,748	3.48	Note 3
11,805	4.50	Note 4
16,568	3.83	Note 5
153,243		

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		

* 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.

32. SHARE CAPITAL (CONTINUED)

Share options (continued)

Note 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 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.

Note 5: Subject to fulfilment of the performance targets for the year ending 31 December 2016, approximately 21% of the Share Options are exercisable commencing from 9 January 2018 to 11 May 2023; and subject to fulfilment of the performance targets for the year ending 31 December 2017, approximately 79% of the Share Options are exercisable commencing from 9 January 2019 to 11 May 2023.

The fair value of the share options granted during the year was HK$25,838,000 (approximately HK$1.47 each) (the fair value of the share options granted during 2016 was 29,428,000 (approximately HK$1.948 each)), of which the Group recognised a share option expense of HK$11,846,000 (2016: HK$8,331,000) in respect of the share options granted to employees of the Group and recognised other receivables of nil (2016: HK$3,003,000) in respect of the share options granted to the employees of TCL Corporation on its behalf, during the year ended 31 December 2017.

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32. SHARE CAPITAL (CONTINUED)

Share options (continued)

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 2017 and 2016:

	2017	2016
Dividend yield (%)	0.00 per annum	0.00 per annum
Expected volatility (%)	46.97 per annum	51.97 per annum
Risk-free interest rate (%)	1.830 per annum	1.515 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 11,186,809 share options exercised during the year resulted in the issue of 11,186,809 ordinary shares of the Company and additional share capital of HK$11,187,000 and share premium of HK$42,965,000.

At the end of the reporting period, the Company had 153,243,000 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 153,243,000 additional ordinary shares of the Company and additional share capital and share premium amounts of approximately HK$153,243,000 and HK$434,981,000, respectively.

Subsequent to the end of the reporting period, on 23 January 2018, a total of 103,007,712 share options under the 2016 Scheme were granted to certain of employees and directors of the Company. Subject to fulfilment of the performance targets for the year ending 31 December 2018, up to about one-sixth of the share options are exercisable commencing from 18 May 2019 to 22 January 2024 and up to another one-sixth of the share options are exercisable commencing from 9 January 2020 to 22 January 2024. Subject to fulfilment of the performance targets for the year ending 31 December 2019, up to about one-sixth of the share options are exercisable commencing from 18 May 2020 to 22 January 2024 and up to another one-sixth of the share options are exercisable commencing from 9 January 2021 to 22 January 2024. Subject to fulfilment of the performance targets for the year ending 31 December 2020, up to about one-sixth of the share options are exercisable commencing from 18 May 2021 to 22 January 2024 and up to another one-sixth of the share options are exercisable commencing from 9 January 2022 to 22 January 2024. These share options have an exercise price of HK$4.152 per share and the price of the Company's shares at the date of grant was HK$4.02 per share.

32. SHARE CAPITAL (CONTINUED)

Restricted share award scheme

A restricted share award scheme was adopted by Company on 6 February 2008 (the "Adoption Date") (as amended on 11 August 2015, 13 June 2016 and 24 November 2017) (the "Award Scheme") to recognise and motivate the contribution of certain participants and to provide incentives and help the Group in retaining its existing employees and recruiting suitable personnel as additional employees to further the operation and development of the Group and to provide them with a direct economic interest in attaining the long-term business objectives of the Group. The Award Scheme does not constitute a share option scheme pursuant to Chapter 17 of the Listing Rules and is a discretionary scheme of the Company.

As at 31 December 2017, the Award Scheme comprises (i) the trust for management for the benefit of selected persons including, among others, connected persons of the Company and senior management of the Group and (ii) the trust for employees and others for the benefit of selected persons who are not connected persons of the Company. The Company has appointed BOCI-Prudential Trustee Limited (the "Trustee") for administration of each of the trust under the Award Scheme.

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32. SHARE CAPITAL (CONTINUED)

Restricted share award scheme (continued)

Pursuant to the terms of the Award Scheme:

1. The Board may, from time to time, at its sole and absolute discretion designate any award to be made to any selected participant ("Selected Person(s)"). Participants cover (i) employees, 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" and each a "Selected Person").

2. Award may be satisfied by existing shares to be acquired by the Trustee from the market or new shares to be allotted and issued to the Trustee by the Company (collectively "Awarded Shares") to be held on trust by the Trustee for the Selected Persons until the end of each vesting period subject to fulfilment of the vesting condition(s). The Board has the discretion to decide whether the Awarded Shares are the existing shares or new shares.

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.

5. The maximum aggregate number of shares awarded by the Board under the Award Scheme is ten percent (10%) of number of issued shares of the Company as at 11 August 2015 (the "Amendment Date"), excluding all the shares awarded under the rules of the pre-amended Award Scheme up to the Amendment Date.

6. The duration of the Award Scheme is 15 years from the Adoption Date, i.e. continue in force until 2023.

7. The Board may, at its sole and absolute discretion, accelerate the vesting of awarded shares add/or waive and/or alter any or all of the vesting conditions attached to the Awarded Shares.

32. SHARE CAPITAL (CONTINUED)

Restricted share award scheme (continued)

The following Awarded Shares were outstanding during the year:

	2017 Number of Awarded Shares '000	2016 Number of Awarded Shares '000
At 1 January		
– 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
At 31 December		
– Number of Awarded Shares held by the Trustee	**75,784**	83,380
– Number of Awarded Shares granted but not vested	**14,848**	31,215
– Number of Awarded Shares available for grant	**101,859**	95,843
Granted during the year (note a)	**255**	1,695
– Grant using existing shares	**255**	1,695
Lapsed during the year	**6,271**	4,473
Vested during the year	**10,350**	7,273
Purchased during the year (note b)	**–**	34,402
Allotted and issued during the year (note c)	**–**	–
Individual income tax paid on behalf of the Selected Persons during the year (note d)	**2,754**	1,429

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32. SHARE CAPITAL (CONTINUED)

Restricted share award scheme (continued)

Notes:

(a) For the year ended 31 December 2017, 255,129 (2016: 378,498) Awarded Shares were granted to the Selected Employees and no (2016: 1,316,931) 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$949,000 (HK$3.72 per share) (2016: HK$7,629,000 (HK$4.50 per share)), of which the Group recognised employee share-based compensation benefits under the Award Scheme of HK$449,000 (2016: HK$596,000) in respect of the Awarded Shares granted to the Selected Employees and recognised other receivables of nil in respect of the Awarded Shares granted to the Selected Persons of TCL Corporation on its behalf (2016: HK$3,100,000).

(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.

(c) No Awarded Shares were allotted and issued to the Trustee at par value for the years ended 31 December 2017 and 2016.

(d) For the year ended 31 December 2017, tax has been paid by the Group on behalf of certain Selected Persons whose rights were vested in the Awarded Shares and 2,753,960 (2016: 1,428,893) 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.

Subsequent to the end of the reporting period, on 23 January 2018, a total of 44,315,290 Awarded Shares were granted under the Award Scheme to certain Selected Employees and Selected Persons. The price of the Company's shares at the date of grant was HK$4.02 per share.

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 115 and 116.

(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.

33. RESERVES (CONTINUED)

(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.

(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. TRANSFERS OF FINANCIAL ASSETS

Transferred financial assets that are not derecognised in their entirety

Factoring trade receivables

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).

34. TRANSFERS OF FINANCIAL ASSETS (CONTINUED)

Financial assets that are derecognised in their entirety

Factoring trade receivables

At 31 December 2017, 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$449,359,000 (2016: HK$58,666,000). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the factored trade receivables. Accordingly, it has derecognised the full carrying amounts of the factored trade receivables. The maximum exposure to loss from the Group's continuing involvement in the factored trade receivables and the undiscounted cash flows to repurchase these factored trade receivables are equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's continuing involvement in the factored trade receivables are not significant.

During the year ended 31 December 2017, no gains or losses was recognised on the date of transfer of the factored trade receivables (2016: nil). No gains or losses were recognised from the continuing involvement, both during the year or cumulatively.

Bills discounted

At 31 December 2017, certain bills receivable were discounted by banks and an associate in the PRC and banks in Hong Kong with a carrying amount of HK$8,646,482,000 (2016: HK$1,945,944,000). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the discounted bills. Accordingly, it has derecognised the full carrying amounts of the discounted bills. The maximum exposure to loss from the Group's continuing involvement in the discounted bills and the undiscounted cash flows to repurchase these discounted bills are equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's continuing involvement in the discounted bills are not significant.

During the year ended 31 December 2017, no gains or losses was recognised on the date of transfer of the discounted bills (2016: nil). No gains or losses were recognised from the continuing involvement, both during the year or cumulatively.

34. TRANSFERS OF FINANCIAL ASSETS (CONTINUED)

Financial assets that are derecognised in their entirety (continued)

Endorsed bills

At 31 December 2017, certain subsidiaries of the Group endorsed certain bills receivable accepted by banks in the PRC (the "derecognised bills") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of HK$316,486,000 (2016: HK$1,237,987,000). The derecognised bills had a maturity of one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the derecognised bills have a right of recourse against the Group if the PRC banks default. In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the derecognised bills and the associated trade payables. The maximum exposure to loss from the Group's continuing involvement in the derecognised bills and the undiscounted cash flows to repurchase these derecognised bills are equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's continuing involvement in the derecognised bills are not significant.

During the year ended 31 December 2017, no gains or losses was recognised on the date of transfer of the derecognised bills (2016: nil). No gains or losses were recognised from the continuing involvement, both during the year or cumulatively.

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Disposal of subsidiaries

Year ended 31 December 2017

On 12 May 2017, the Group, Henan Prairie Fire Electronic Co., Ltd. and Huizhou Renren Ju Industrial Co., Ltd. (the latter both being independent third parties), entered an agreement to reduce their capital injection to Henan Melody Huana Electronics Co. Ltd ("Melody"), a subsidiary of the Group. As a result, the Group reduced the investment cost of approximately RMB10,450,000 (equivalent to approximately HK$11,795,000), which resulted in its proportion of shareholding reducing to 5%. Accordingly, the Group reclassified its remaining interest in Melody as available-for-sale investment.

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(a) Disposal of subsidiaries (continued)

Year ended 31 December 2017 (continued)

	Notes	2017 HK$'000
Net assets disposed of:		
Property, plant & equipment	13	7
Other intangible assets	17	849
Inventories		17,111
Cash and bank balances		1,160
Trade and bills receivables		17,745
Other receivables		6,562
Trade and bills payables		(817)
Other payables and accruals		(7,115)
Non-controlling interests		(22,544)
		12,958
Release of exchange fluctuation reserve		495
Loss on disposal of a subsidiary (note 7)		(1,012)
		12,441
Satisfied by:		
Other receivable		11,795
Fair value of the remaining interest in Melody		646
		12,441

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2017 HK$'000
Cash and bank balances disposed of	(1,160)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(1,160)

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(a) Disposal of subsidiaries (continued)

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.

	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

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35. 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 prior 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	–

(c) Changes in liabilities arising from financing activities

	Bank loans and other borrowing HK$'000	Finance lease payables HK$'000	Dividend payable included in other payables HK$'000	Total HK$'000
At 1 January 2017	1,350,151	5,492	–	1,355,643
Changes from financing cash flows	1,530,220	(3,648)	–	1,526,572
Exchange adjustments	44,316	259	–	44,575
2017 interim dividends payable	–	–	13,611	13,611
At 31 December 2017	2,924,687	2,103	13,611	2,940,401

36. 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:

	2017 **HK$'000**	2016 HK$'000
Within one year	**38,023**	63,132
In the second to fifth years, inclusive	**63,418**	119,163
	101,441	182,295

37. COMMITMENTS

In addition to the operating lease commitments detailed in note 36 above, the Group had the following capital commitments at the end of the reporting period:

	2017 **HK$'000**	2016 HK$'000
Contracted, but not provided for:		
Capital expenditure	**33,341**	–
Capital contribution payable to joint ventures	**251,055**	16,436
Capital contribution payable to an associate	**–**	59,254
	284,396	75,690
Authorised, but not contracted for:		
Land and buildings	**269,823**	253,075
	554,219	328,765

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38. 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	2017 HK$'000	2016 HK$'000
Joint ventures:			
Sales of finished goods	(i)	305,258	193,170
After-sales service income	(ii)	655	542
Interest income	(iii)	–	101
T.C.L. Industries:			
Interest expense	(v)	–	25,424
Associates:			
Interest income	(vi)	25,173	13,397
Interest expense	(vii)	22,885	851
Other finance service fees	(iv)	134	7,439
Purchase of raw materials	(x)	84,854	70,420
Sales of finished goods	(i)	861,843	76,467
Companies controlled by TCL Corporation:			
Sales of raw materials	(viii)	57,720	75,033
Sales of finished goods	(i)	4,441,984	2,836,116
Purchases of raw materials	(x)	12,022,198	8,726,273
Purchases of finished goods	(x)	460,414	51,018
Subcontracting fee expense	(ix)	4,960	–
Subcontracting income	(xi)	651	686
Rental, maintenance fees and facilities usage fees	(xii)	16,336	9,947
Rental expense and license fee	(xiii)	8,818	4,552
Reimbursement of brand advertising costs	(xiv)	173,217	315,370
Logistics service fee expense	(xv)	–	199,778
Fitting out fee	(xvi)	–	13,026
Reimbursement of research and development and rental expenses	(xvii)	49,648	59,503
After-sales service income	(ii)	7,526	14,844
After-sales service fee	(xviii)	291,024	279,610
Internet television service income	(xix)	2,527	3,829
Payment gateway service fee	(xx)	101	133
Promotion fee income	(xxiii)	32,507	–

38. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) (continued)

	Notes	2017 HK$'000	2016 HK$'000
Associates of TCL Corporation:			
Purchases of raw materials	(x)	604,774	750,738
Sales of raw materials	(viii)	280	508
Sales of finished goods	(i)	1,617	–
Logistics services fee expense	(xv)	352,789	147,685
Rental income	(xii)	1,480	887
Service fee expense	(xxi)	17,041	43,780
Content income	(xxi)	6,508	5,466
A substantial shareholder and its affiliates:			
Sales of finished goods	(i)	565,121	1,129,717
Purchases of raw materials	(x)	152,339	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 for the year ended 31 December 2016.

(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% per annum for the year ended 31 December 2016.

(vi) The interest was charged at rates ranging from 0.42% to 1.38% (2016: from 0.42% to 1.38%) per annum, which was determined with reference to the savings rates quoted by the People's Bank of China.

(vii) The interest was charged at a rate of 5.00% (2016: from 1.04% to 4.79%) per annum.

(viii) The sales of raw materials were made at gross margins ranging from 5.4% to 43.37% (2016: 4.98% to 50.66%).

(ix) The subcontracting fee expense was determined with reference to subcontracting fees charged by third party companies offering similar services.

(x) The purchases of raw materials and finished goods were made at prices similar to those set by independent third party suppliers or the acquisition price plus a mark-up of 0.3%.

38. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) (continued)

Notes: (continued)

(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 RMB67 (2016: from RMB27 to RMB79) per square metre. The licence fee were charged at a rate of HK$28 (2016: HK$28) per square feet.

(xiv) Reimbursement of brand advertising costs incurred by TCL Corporation was made based on 1.21% (2016: 2%) of the aggregate net sales of TV products using TCL A brand and TCL B brand and 0.1% (2016: 0.25%) of the aggregate net sales of TV products of OEM brands. TCL A brand, TCL B brand and OEM brands are 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 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 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% (2016: 15%) of net income of video-on-demand services of live televisions or at rates ranging from 5% to 30% (2016: 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% (2016: 0.38% to 0.78%) of the amount of payment made by the end customers to the Group or nil to RMB26 (2016: 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 (2016: 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 rate of 2.00% and 8.00% per annum, respectively.

(xxiii) The promotion fee income was determined with reference to the percentage charged by other active market participants in providing similar promotion services.

38. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Other material transactions with related parties:

(i) On 8 February 2017, the Group entered into factoring contracts with a company controlled by a substantial shareholder for a factoring arrangement on trade receivables with aggregated amount of RMB63,459,000 (equivalent to HK$76,151,000). Further details are set out in the Company's announcement dated 8 February 2017.

(ii) 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 an 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.

(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 joint ventures and certain associates of the Group included in note 38(a), all the above transactions in note 38 also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

39. 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.

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.

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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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 United States dollar interest rate, 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
2017		
United States dollar	**(25)**	**1,508**
United States dollar	**25**	**(1,508)**
2016		
United States dollar	(25)	831
United States dollar	25	(831)

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.

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.

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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk (continued)

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
2017		
If Hong Kong dollar weakens against United States dollar	5	(70,277)
If Hong Kong dollar weakens against Euro	5	638
If Hong Kong dollar weakens against Renminbi	5	3
If Renminbi weakens against United States dollar	5	(79,984)
If Euro weakens against United States dollar	5	(26)
If Euro weakens against Polish Zloty	5	9
If United States dollar weakens against Euro	5	2
If United States dollar weakens against Polish Zloty	5	(172)
If Hong Kong dollar strengthens against United States dollar	(5)	70,277
If Hong Kong dollar strengthens against Euro	(5)	(638)
If Hong Kong dollar strengthens against Renminbi	(5)	(3)
If Renminbi strengthens against United States dollar	(5)	79,984
If Euro strengthens against United States dollar	(5)	26
If Euro strengthens against Polish Zloty	(5)	(9)
If United States dollar strengthens against Euro	(5)	(2)
If United States dollar strengthens against Polish Zloty	(5)	172
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)

31 December 2017

39. 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 22 and 23, 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.

39. 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:

	2017			
	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	2,928,112	–	21,949	2,950,061
Finance lease payables	2,193	–	–	2,193
Trade payables	9,753,201	–	–	9,753,201
Bills payable	306,879	–	–	306,879
Other payables	3,353,369	–	–	3,353,369
	16,343,754	–	21,949	16,365,703

	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

39. 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 2017 and 2016.

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, less cash and bank balances. 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:

	Note	2017 HK$'000	2016 HK$'000
Interest-bearing bank and other borrowings	28	2,926,790	1,355,643
Less: Cash and bank balances		(5,910,235)	(3,882,361)
Net debt		(2,983,445)	(2,526,718)
Equity attributable to owners of the parent		7,628,724	6,452,445
Gearing ratio		N/A	N/A

40. 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:

	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	–	13,026
Investments in an associate	23,099	19,571
Investments in subsidiaries	1,519,003	1,305,712
	1,542,102	1,338,309
CURRENT ASSETS		
Due from related parties	3,594,249	3,603,362
Other receivables	34,573	25,924
Cash and bank balances	18,530	1,465
Total current assets	3,647,352	3,630,751
CURRENT LIABILITIES		
Due to related parties	149,113	–
Other payables and accruals	22,566	10,452
Total current liabilities	171,679	10,452
NET CURRENT ASSETS	3,475,673	3,620,299
TOTAL ASSETS LESS CURRENT LIABILITIES	5,017,775	4,958,608
Net assets	5,017,775	4,958,608
EQUITY		
Issued capital	1,747,633	1,736,446
Reserves	3,270,142	3,222,162
Total equity	5,017,775	4,958,608

LI Dongsheng
Director

WANG Cheng Kevin
Director

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserves is as follows:

	Share premium account HK$'000	Share option reserve△ HK$'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 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
Share issue expenses	(311)	–	–	–	–	–	(311)
Issue of shares upon exercise of share options (note 32)	4,681	(1,935)	–	–	–	–	2,746
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 and 1 January 2017	4,633,314	176,300	738,936	(218,314)	112,137	(2,220,211)	3,222,162
Total comprehensive income for the year	–	–				29,305	29,305
Equity-settled share option arrangements	–	53,438	–	–	–	–	53,438
Issue of shares upon exercise of share options (note 32)	42,965	(16,634)	–	–	–	–	26,331
Employee share-based compensation benefits under the Award Scheme (note 32)	–	–	–	–	14,168	–	14,168
Vesting of shares under the Award Scheme	–	–	–	10,117	(20,330)	–	(10,213)
2017 interim dividend paid	(65,049)	–	–	–	–	–	(65,049)
At 31 December 2017	4,611,230	213,104	738,936	(208,197)	105,975	(2,190,906)	3,270,142

△ 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.

41. EVENTS AFTER THE REPORTING PERIOD

(a) On 28 December 2017, the Company announced a rights issue of one right share for three existing shares of the Company held by qualifying shareholders at an issue price of HK$3.46 per rights share (the "Rights Issue"). The Rights Issue was completed on 25 January 2018 and a total of 582,544,371 rights shares were issued for a total cash consideration of HK$2,015,604,000, before expenses.

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

(c) On 23 January 2018, 103,007,712 share options and 44,315,290 awarded shares were granted as further detailed in note 32 to the financial statements.

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

42. COMPARATIVE AMOUNTS

The Group has chosen to present the government grant related to income as a deduction in reporting the related expense since 1 January 2017. The Group has adopted this change in accounting policy retrospectively and the comparative figures have been restated, and certain comparative amounts have been restated to conform with current year's presentation and disclosures.

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 28 March 2018.

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				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
CONTINUING OPERATIONS					
TURNOVER	**40,822,357**	33,361,250	34,016,833	33,526,265	39,494,703
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	**933,164**	201,206	37,179	393,459	33,026
Income tax	**(136,303)**	(24,428)	(27,039)	(147,126)	(155,949)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**796,861**	176,778	10,140	246,333	(122,923)
DISCONTINUED OPERATION					
Profit for the year from a discontinued operation	**–**	–	–	–	88,722
PROFIT/(LOSS) FOR THE YEAR	**796,861**	176,778	10,140	246,333	(34,201)
Profit/(loss) attributable to:					
Owners of the parent	**814,639**	182,764	25,811	234,499	(48,075)
Non-controlling interests	**(17,778)**	(5,986)	(15,671)	11,834	13,874
	796,861	176,778	10,140	246,333	(34,201)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**26,063,346**	20,309,390	18,178,191	21,482,316	22,155,505
Total liabilities	**(18,366,829)**	(13,753,045)	(13,769,461)	(16,876,138)	(17,673,124)
Non-controlling interests	**(67,793)**	(103,900)	(112,144)	(137,049)	(124,095)
	7,628,724	6,452,445	4,296,586	4,469,129	4,358,286

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