

TCL MULTIMEDIA TECHNOLOGY HOLDINGS LIMITED

Stock code: 01070



Interim **2015** *Report*

创意感动生活
The Creative Life

TCL



TCL MULTIMEDIA TECHNOLOGY HOLDINGS LIMITED

INTERIM REPORT 2015





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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. LI Dongsheng (Chairman)
 Mr. BO Lianming (appointed as the chief executive officer with effect from 25 June 2015)
 Mr. HAO Yi (ceased to be the chief executive officer with effect from 25 June 2015)
 Mr. YAN Xiaolin
 Ms. XU Fang (appointed as an executive director with effect from 21 May 2015)

Non-Executive Directors

Mr. Albert Thomas DA ROSA, Junior
 Mr. HUANG Xubin
 Mr. SHI Wanwen (resigned as a non-executive director with effect from 21 May 2015)

Independent Non-Executive Directors

Mr. TANG Guliang
 Mr. Robert Maarten WESTERHOF
 Ms. WU Shihong (resigned as an independent non-executive director with effect from 12 August 2015)
 Dr. TSENG Shiang-chang Carter
 Professor SO Wai-man Raymond (appointed as an independent non-executive director with effect from 12 August 2015)

COMPANY SECRETARY

Ms. PANG Siu Yin, 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

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

BRANCH REGISTRAR

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

PRINCIPAL OFFICE

13/F, TCL Tower
 8 Tai Chung Road
 Tsuen Wan
 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.
 19/F, Oriental Crystal Commercial Building
 46 Lyndhurst Terrace
 Central, Hong Kong



INTERIM RESULTS

The board of directors (the “Board”) of TCL Multimedia Technology Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results and financial position of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2015 with comparative figures for the previous period as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Six months ended 30 June		Three months ended 30 June	
		2015 (unaudited) HK\$'000	2014 (unaudited) HK\$'000	2015 (unaudited) HK\$'000	2014 (unaudited) HK\$'000
TURNOVER	4	15,397,057	15,202,818	7,111,819	7,314,227
Cost of sales		(12,893,787)	(12,820,640)	(5,797,139)	(5,957,960)
Gross profit		2,503,270	2,382,178	1,314,680	1,356,267
Other revenue and gains		186,831	407,128	68,774	325,915
Selling and distribution expenses		(1,719,116)	(1,776,490)	(911,994)	(971,195)
Administrative expenses		(481,658)	(440,701)	(202,016)	(247,119)
Research and development costs		(288,498)	(212,514)	(158,195)	(135,035)
Other operating expenses		(2,124)	(50,292)	(2,118)	(50,212)
Finance costs	5	198,705	309,309	109,131	278,621
Share of losses of:					
Joint ventures		(19,858)	(5,205)	(12,256)	(4,238)
Associates		(5,439)	(1,253)	(4,659)	(34,221)
PROFIT BEFORE TAX	6	91,060	203,933	45,710	186,427
Income tax	7	31,355	(36,073)	36,584	(30,293)
PROFIT FOR THE PERIOD		122,415	167,860	82,294	156,134

INTERIM RESULTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

	Six months ended 30 June		Three months ended 30 June	
	2015 (unaudited) HK\$'000	2014 (unaudited) HK\$'000	2015 (unaudited) HK\$'000	2014 (unaudited) HK\$'000
OTHER COMPREHENSIVE INCOME/(LOSS)				
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:				
Cash flow hedge:				
Effective portion of changes in fair value of the hedging instruments arising during the period	12,064	765	(29,632)	2,576
Reclassification adjustments for losses included in the consolidated statement of profit or loss	185	21	-	44
	12,249	786	(29,632)	2,620
Exchange fluctuation reserve:				
Translation of foreign operations	1,349	(39,979)	15,689	(5,500)
Release upon liquidation of subsidiaries	(400)	(158,931)	(400)	(150,937)
Release upon derecognition and deemed partial disposal of associates	1	275	1	275
	950	(198,635)	15,290	(156,162)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	13,199	(197,849)	(14,342)	(153,542)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	135,614	(29,989)	67,952	2,592



INTERIM RESULTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

	Six months ended 30 June		Three months ended 30 June	
	2015 (unaudited) HK\$'000	2014 (unaudited) HK\$'000	2015 (unaudited) HK\$'000	2014 (unaudited) HK\$'000
Profit/(loss) attributable to:				
Owners of the parent	135,803	168,874	90,224	153,686
Non-controlling interests	(13,388)	(1,014)	(7,930)	2,448
	122,415	167,860	82,294	156,134
Total comprehensive income/(loss) attributable to:				
Owners of the parent	149,068	(27,730)	75,318	284
Non-controlling interests	(13,454)	(2,259)	(7,366)	2,308
	135,614	(29,989)	67,952	2,592
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9			
Basic	HK10.25 cents	HK12.78 cents		
Diluted	HK10.16 cents	HK12.78 cents		



INTERIM RESULTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2015 (unaudited) HK\$'000	31 December 2014 (audited) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		2,302,515	2,356,369
Prepaid land lease payments		151,899	153,930
Goodwill		134,933	134,933
Other intangible assets		1,710	1,947
Investments in joint ventures		47,068	55,600
Investments in associates		502,619	509,054
Available-for-sale investments		111,982	111,982
Deferred tax assets		35,225	38,090
Total non-current assets		3,287,951	3,361,905
CURRENT ASSETS			
Inventories		4,500,281	4,054,817
Trade receivables	10	4,847,206	4,318,138
Bills receivable		3,544,309	4,204,018
Other receivables		1,693,198	1,943,664
Tax recoverable		13,711	17,107
Pledged deposits		165,569	203,298
Cash and bank balances		3,307,456	3,379,369
Total current assets		18,071,730	18,120,411
CURRENT LIABILITIES			
Trade payables	11	4,063,830	4,920,901
Bills payable		4,271,144	3,543,573
Other payables and accruals		3,075,371	3,805,030
Interest-bearing bank and other borrowings	12	3,599,531	2,250,564
Due to T.C.L. Industries	13	387,605	853,336
Tax payable		123,648	180,491
Provisions		378,595	362,484
Total current liabilities		15,899,724	15,916,379
NET CURRENT ASSETS		2,172,006	2,204,032
TOTAL ASSETS LESS CURRENT LIABILITIES		5,459,957	5,565,937



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INTERIM RESULTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		30 June 2015 (unaudited) <i>HK\$'000</i>	31 December 2014 (audited) <i>HK\$'000</i>
	<i>Notes</i>		
TOTAL ASSETS LESS CURRENT LIABILITIES		5,459,957	5,565,937
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	12	696,220	925,033
Deferred tax liabilities		30,771	34,726
Total non-current liabilities		726,991	959,759
Net assets		4,732,966	4,606,178
EQUITY			
Equity attributable to owners of the parent			
Issued capital	14	1,341,787	1,333,599
Reserves		3,269,472	3,135,530
		4,611,259	4,469,129
Non-controlling interests		121,707	137,049
Total equity		4,732,966	4,606,178



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INTERIM RESULTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent													
	Issued capital (unaudited) HK\$'000	Share premium account (unaudited) HK\$'000	Share option reserve (unaudited) HK\$'000	Capital reserve (unaudited) HK\$'000	Reserve funds (unaudited) HK\$'000	Hedging reserve (unaudited) HK\$'000	Exchange fluctuation reserve (unaudited) HK\$'000	Accumulated losses (unaudited) HK\$'000	Shares held for the Award Scheme (unaudited) HK\$'000	Awarded share reserve (unaudited) HK\$'000	Total (unaudited) HK\$'000	Non-controlling interests (unaudited) HK\$'000	Total equity (unaudited) HK\$'000	
At 1 January 2014	1,333,599	2,745,480	46,147	57,332	936,927	(21)	548,175	(1,219,099)	(90,619)	365	4,358,286	124,095	4,482,381	
Profit/(loss) for the period	-	-	-	-	-	-	-	168,874	-	-	168,874	(1,014)	167,860	
Other comprehensive income/(loss) for the period:														
Cash flow hedge	-	-	-	-	-	786	-	-	-	-	786	-	786	
Exchange differences on:														
Translation of foreign operations	-	-	-	-	-	-	(38,734)	-	-	-	(38,734)	(1,245)	(39,979)	
Release upon liquidation of subsidiaries	-	-	-	-	-	-	(158,931)	-	-	-	(158,931)	-	(158,931)	
Release upon derecognition and deemed partial disposal of associates	-	-	-	-	-	-	275	-	-	-	275	-	275	
Total comprehensive income/(loss) for the period	-	-	-	-	-	786	(197,390)	168,874	-	-	(27,730)	(2,259)	(29,989)	
Release upon liquidation of subsidiaries	-	-	-	-	(145,380)	-	-	145,380	-	-	-	-	-	
Business combinations, net	-	-	-	-	-	-	-	-	-	-	-	(28,679)	(28,679)	
Capital injection from a non-controlling shareholder	-	-	-	-	-	-	-	-	-	-	-	22,661	22,661	
Equity-settled share option arrangements	-	-	4,579	-	-	-	-	-	-	-	4,579	-	4,579	
Share options lapsed during the period	-	-	(533)	-	-	-	-	533	-	-	-	-	-	
Vesting of shares under the Award Scheme	-	-	-	-	-	-	-	-	57,962	21,869	79,831	-	79,831	
Transfer from retained profits	-	-	-	-	366	-	-	(366)	-	-	-	-	-	
At 30 June 2014	1,333,599	2,745,480	50,193	57,332	791,913	765	350,785	(904,678)	(32,657)	22,234	4,414,966	115,818	4,530,784	

INTERIM RESULTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to owners of the parent													
	Issued capital (unaudited) HK\$'000	Share premium account (unaudited) HK\$'000	Share option reserve (unaudited) HK\$'000	Capital reserve (unaudited) HK\$'000	Reserve funds (unaudited) HK\$'000	Hedging reserve (unaudited) HK\$'000	Exchange fluctuation reserve (unaudited) HK\$'000	Accumulated losses (unaudited) HK\$'000	Shares held for the Award Scheme (unaudited) HK\$'000	Awarded share reserve (unaudited) HK\$'000	Total (unaudited) HK\$'000	Non-controlling interests (unaudited) HK\$'000	Total equity (unaudited) HK\$'000	
At 1 January 2015	1,333,599	2,745,480	23,830	57,332	833,489	(185)	386,684	(881,162)	(52,172)	22,234	4,469,129	137,049	4,606,178	
Profit/(loss) for the period	-	-	-	-	-	-	-	135,803	-	-	135,803	(13,388)	122,415	
Other comprehensive income/(loss) for the period:														
Cash flow hedge	-	-	-	-	-	12,249	-	-	-	-	12,249	-	12,249	
Exchange differences on:														
Translation of foreign operations	-	-	-	-	-	-	1,415	-	-	-	1,415	(66)	1,349	
Release upon liquidation of a subsidiary	-	-	-	-	-	-	(400)	-	-	-	(400)	-	(400)	
Release upon deemed partial disposal of an associate	-	-	-	-	-	-	1	-	-	-	1	-	1	
Total comprehensive income/(loss) for the period	-	-	-	-	-	12,249	1,016	135,803	-	-	149,068	(13,454)	135,614	
2014 final dividend paid	-	(70,108)	-	-	-	-	-	-	-	-	(70,108)	-	(70,108)	
Acquisition of non-controlling interests	-	-	-	431	-	-	-	-	-	-	431	(1,888)	(1,457)	
Equity-settled share option arrangements	-	-	10,937	-	-	-	-	-	-	-	10,937	-	10,937	
Issue of shares upon exercise of share options	8,188	31,445	(12,891)	-	-	-	-	-	-	-	26,742	-	26,742	
Employee share-based compensation benefits under the Award Scheme	-	-	-	-	-	-	-	-	-	1,693	1,693	-	1,693	
Vesting of shares under the Award Scheme	-	-	-	-	-	-	-	-	17,737	5,630	23,367	-	23,367	
Transfer from retained profits	-	-	-	-	52,738	-	-	(52,738)	-	-	-	-	-	
At 30 June 2015	1,341,787	2,706,817*	21,876*	57,763*	886,227*	12,064*	387,700*	(798,097)*	(54,435)*	29,557*	4,611,259	121,707	4,732,966	

* These reserve accounts comprise the consolidated reserves of HK\$3,269,472,000 (31 December 2014: HK\$3,135,530,000) in the consolidated statement of financial position.



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INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2015 (unaudited) HK\$'000	2014 (unaudited) HK\$'000
	<i>Notes</i>	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from/(used in) operations	(567,834)	177,895
Interest paid	(82,348)	(98,918)
Income taxes paid	(23,485)	(64,670)
Net cash flows from/(used in) operating activities	(673,667)	14,307
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(85,723)	(123,891)
Business combinations, net	16	(95,591)
Purchases of available-for-sale investment	–	(100,781)
Decrease in pledged deposits	37,794	–
Other investing cash flows, net	39,935	61,855
Net cash flows used in investing activities	(7,994)	(258,408)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank and other loans	6,098,887	2,435,712
Repayment of bank loans	(4,978,682)	(1,974,765)
Dividends paid	(70,108)	–
Decrease in loans from T.C.L. Industries	(465,456)	–
Other financing cash flows, net	25,285	(2,137)
Net cash flows from financing activities	609,926	458,810
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		
	(71,735)	214,709
Cash and cash equivalents at beginning of period	3,379,369	3,047,524
Effect of foreign exchange rate changes, net	(178)	(19,701)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	3,307,456	3,242,532
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances as stated in the condensed consolidated statement of cash flows	3,307,456	3,242,532



INTERIM RESULTS

Notes:

1. BASIS OF PREPARATION

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

The unaudited interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2014.

The accounting policies and the basis of preparation adopted in the preparation of these condensed financial statements are consistent with those adopted in the Group’s annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance, except for the adoption of the revised HKFRSs as disclosed in note 2 below.

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



INTERIM RESULTS

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKAS 19

Annual Improvements

2010-2012 Cycle

Annual Improvements

2011-2013 Cycle

Defined Benefit Plans: Employee Contributions

Amendments to a number of HKFRSs

Amendments to a number of HKFRSs

Other than as further explained below, the adoption of these revised HKFRSs has had no significant financial effect on these condensed financial statements and there have been no significant changes to the accounting policies applied in these condensed financial statements.

The *Annual Improvements to HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. These amendments do not have any significant financial impact on the Group. Details of the amendment most applicable to the Group are as follows:

HKFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgments made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.



INTERIM RESULTS

3. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSs

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

Amendments to HKAS 1 HKFRS 9	<i>Disclosure Initiative</i> ¹ <i>Financial Instruments</i> ³
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ¹
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i> ¹
Amendments to HKFRS 11 HKFRS 14 HKFRS 15	<i>Accounting for Acquisitions of Interests in Joint Operations</i> ¹ <i>Regulatory Deferral Accounts</i> ⁴ <i>Revenue from Contracts with Customers</i> ²
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> ¹
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i> ¹
Amendments to HKAS 27 (2011) <i>Annual Improvements 2012-2014 Cycle</i>	<i>Equity Method in Separate Financial Statements</i> ¹ Amendments to a number of HKFRSs ¹

¹ Effective for annual periods beginning on or after 1 January 2016

² Effective for annual periods beginning on or after 1 January 2017

³ Effective for annual periods beginning on or after 1 January 2018

⁴ Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.



INTERIM RESULTS

4. OPERATING SEGMENT INFORMATION

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

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

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



INTERIM RESULTS

4. OPERATING SEGMENT INFORMATION (continued)

Information regarding these reportable segments, together with their related comparative information, is presented below.

	Six months ended 30 June							
	Television – PRC market		Television – overseas markets		Others		Consolidated	
	2015	2014	2015	2014	2015	2014	2015	2014
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
HK\$'000		HK\$'000		HK\$'000		HK\$'000		
Sales to external customers	9,733,731	8,586,643	5,594,263	6,003,586	69,063	612,589	15,397,057	15,202,818
Segment results	497,061	198,420	(194,967)	41,121	(29,232)	(23,876)	272,862	215,665
Corporate income/(expenses), net							(103,679)	51,118
Finance costs							(82,348)	(98,918)
Interest income							29,522	42,526
Share of profits and losses of:								
Joint ventures	-	-	(2,067)	(891)	(17,791)	(4,314)	(19,858)	(5,205)
Associates	49	(14,958)	-	-	(5,488)	13,705	(5,439)	(1,253)
Profit before tax							91,060	203,933
Income tax							31,355	(36,073)
Profit for the period							122,415	167,860



INTERIM RESULTS

5. FINANCE COSTS

	Six months ended 30 June	
	2015 (unaudited) HK\$'000	2014 (unaudited) HK\$'000
Interest on:		
Bank loans and overdrafts	77,524	95,109
Loans from TCL Corporation	–	702
Loans from T.C.L. Industries	3,847	2,804
Loans from an associate	977	303
Total finance costs for the period	82,348	98,918

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2015 (unaudited) HK\$'000	2014 (unaudited) HK\$'000
Depreciation	127,645	137,372
Amortisation of other intangible assets	204	76
Amortisation of prepaid land lease payments	2,130	2,109
Employee share-based compensation benefits under the Award Scheme	1,571	–
Equity-settled share option expense	10,937	4,579



INTERIM RESULTS

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (30 June 2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	Six months ended 30 June	
	2015 (unaudited) HK\$'000	2014 (unaudited) HK\$'000
Current – Hong Kong		
Charge for the period	2,242	11,219
Current – Elsewhere		
Charge for the period	12,813	27,146
Underprovision/(overprovision) in prior periods	(44,837)	1,658
Deferred	(1,573)	(3,950)
Total tax charge/(credit) for the period	(31,355)	36,073

8. DIVIDENDS

The Board does not recommend the payment of any dividend for the six months ended 30 June 2015 (30 June 2014: Nil).



INTERIM RESULTS

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

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

	Six months ended 30 June	
	2015	2014
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000

Earnings

Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	135,803	168,874
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	Number of shares	
	Six months ended 30 June	
	2015	2014
	(unaudited)	(unaudited)

Shares

Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	1,324,970,448	1,321,620,235
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Effect of dilution – weighted average number of ordinary shares:		
Assumed issue at no consideration on deemed exercise of all share options outstanding during the period	11,113,413	–

Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation	1,336,083,861	1,321,620,235
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No adjustment has been made to the basic earnings per share amounts presented for the period ended 30 June 2014 in respect of a dilution as the Company had no potentially dilutive ordinary shares in issue during the prior period.



INTERIM RESULTS

10. TRADE RECEIVABLES

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

In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	30 June 2015 (unaudited) HK\$'000	31 December 2014 (audited) HK\$'000
Current to 90 days	3,683,161	3,754,547
91 to 180 days	771,859	239,498
181 to 365 days	192,004	297,349
Over 365 days	200,182	26,744
	4,847,206	4,318,138

Certain subsidiaries of the Group have entered into receivables purchase agreements with banks for the factoring of trade receivables with certain designated customers. At 30 June 2015, trade receivables factored to banks aggregated to HK\$5,517,000 (31 December 2014: HK\$39,443,000) were fully derecognised from the consolidated statement of financial position because, in the opinion of the directors, the Group has transferred substantially all the risks and rewards of ownership in respect of the relevant factored receivables to banks.



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INTERIM RESULTS

11. TRADE PAYABLES

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

	30 June 2015 (unaudited) HK\$'000	31 December 2014 (audited) HK\$'000
Current to 90 days	3,874,257	4,691,774
91 to 180 days	56,449	40,097
181 to 365 days	67,506	70,016
Over 365 days	65,618	119,014
	4,063,830	4,920,901

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



INTERIM RESULTS

12. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2015 (unaudited) HK\$'000	31 December 2014 (audited) HK\$'000
Current		
Bank loans – unsecured	3,348,724	1,736,730
Trust receipt loans – unsecured	205,807	298,172
Loans from an associate – unsecured	45,000	215,662
	3,599,531	2,250,564
Non-current		
Bank loans – unsecured	696,220	925,033
	4,295,751	3,175,597
Analysed into:		
Bank loans repayable:		
Within one year or on demand	3,554,531	2,034,902
In the second year	696,220	925,033
	4,250,751	2,959,935
Loans from an associate repayable:		
Within one year	45,000	215,662
	4,295,751	3,175,597

Notes:

- (a) As at 30 June 2015, the carrying amounts of the Group's bank and other borrowings approximated to their fair values.
- (b) TCL Corporation ("TCL Corporation", the ultimate holding company of the Company) has guaranteed certain of the Group's bank loans up to HK\$2,121,409,000 (31 December 2014: HK\$497,028,000) as at the end of the reporting period.



INTERIM RESULTS

13. DUE TO T.C.L. INDUSTRIES

T.C.L. Industries Holdings (H.K.) Limited ("T.C.L. Industries") is the immediate holding company of the Company. The amount of HK\$387,605,000 due to T.C.L. Industries is unsecured, repayable within one year and bears interest at a fixed rate of 1.485% per annum (31 December 2014: an aggregate amount of HK\$853,336,000 due to T.C.L. Industries which bore interest at fixed rates ranging from 1.485% to 4.20% per annum).

14. SHARE CAPITAL

	30 June 2015 (unaudited) HK\$'000	31 December 2014 (audited) HK\$'000
Authorised:		
2,200,000,000 shares of HK\$1.00 each	2,200,000	2,200,000
Issued and fully paid:		
1,341,786,780 (31 December 2014: 1,333,598,514) shares of HK\$1.00 each	1,341,787	1,333,599

During the six months ended 30 June 2015, the subscription rights attaching to 6,360,466 and 1,827,800 share options were exercised at the subscription price of HK\$3.17 and HK\$3.60 per share, respectively, resulting in the issue of 8,188,266 shares of HK\$1.00 each for a total cash consideration of HK\$26,742,000 before expenses.



INTERIM RESULTS

15. LIQUIDATION OF SUBSIDIARIES

Six months ended 30 June 2015

TCL Eletronicos do Brasil Ltda, a wholly-owned subsidiary of the Company, was wound-up voluntarily during the period ended 30 June 2015.

	<i>HK\$'000</i>
Release of exchange fluctuation reserve upon liquidation	(400)
Gain on liquidation of a subsidiary	400
	-
Net inflow of cash and cash equivalents in respect of the liquidation of a subsidiary	-

Six months ended 30 June 2014

TCL International Electronics (Huizhou) Co., Ltd., Inner Mongolia TCL Electrical Appliance Company Limited and TCL King Electrical Appliances (Huhehaote) Company Limited, all were wholly-owned subsidiaries of the Company, were wound-up voluntarily during the period ended 30 June 2014.

	<i>HK\$'000</i>
Release of exchange fluctuation reserve upon liquidation	(158,931)
Gain on liquidation of subsidiaries	158,931
	-
Net inflow of cash and cash equivalents in respect of the liquidation of subsidiaries	-



INTERIM RESULTS

16. BUSINESS COMBINATIONS

Six months ended 30 June 2014

- (i) On 31 March 2014, US Moka Limited (“US Moka”, a wholly-owned subsidiary of the Company) and Sanyo Manufacturing Corporation (“SMC”, an independent third party) entered into two agreements, namely: (i) the asset purchase agreement pursuant to which SMC agreed to sell and US Moka agreed to acquire the assets comprising certain pieces of land (the “Land”) located at the Industrial Development Zone known as Ciudad Industrial Nueva Tijuana in Baja California Mexico, with a total area of about 79,131.79 square meters; all the buildings erected on the Land; and the machinery and any other supplementary tools (collectively, the “Sanyo Assets”) operated in Sanyo Manufacturing, S.A. de C.V. (“SMSA”, a non-wholly owned subsidiary of SMC) at a consideration of US\$13,200,000 (equivalent to approximately HK\$102,339,000); and (ii) the stock purchase agreement pursuant to which SMC agreed to sell and US Moka agreed to acquire 45,000 shares in SMSA, representing 90% of the equity interest of SMSA at a consideration of US\$1,950,000 (equivalent to approximately HK\$15,119,000), subject to certain consideration adjustments. The total consideration was US\$15,150,000 (equivalent to approximately HK\$117,458,000), subject to certain consideration adjustments. SMSA is principally engaged in the manufacture and sale of a wide range of electronic consumer products including television sets. The acquisition was completed on 30 April 2014.

The Sanyo Assets were an integral part of the operation of SMSA and therefore the above two acquisitions were linked transactions and considered as a single business combination.

The Group had elected to measure the non-controlling interest in SMSA at the non-controlling interest’s proportionate share of SMSA’s identifiable net assets.



INTERIM RESULTS

16. BUSINESS COMBINATIONS (continued)

(i) (continued)

The aggregate provisional fair values of the Sanyo Assets and the identifiable assets and liabilities of SMSA as at the date of acquisition were as follows:

	Provisional fair value recognised on equity transfer <i>HK\$'000</i>
Property, plant and equipment	102,339
Trade receivables	9,498
Deferred tax assets	572
Other receivables and prepayments	6,586
Cash and bank balances	4,445
Tax payable	(417)
Other payables and accruals	(3,889)
<hr/>	
Total identifiable net assets at fair value	119,134
Non-controlling interests	(1,676)
<hr/>	
Satisfied by cash	117,458

The fair values of the above acquisition were determined on a provisional basis as the Group was in the process of completing the independent valuation as at 30 June 2014. They might be adjusted upon the completion of initial accounting year which should not exceed one year from the acquisition date.



INTERIM RESULTS

16. BUSINESS COMBINATIONS (continued)

(i) (continued)

An analysis of the cash flows in respect of the acquisition of Sanyo Assets and SMSA was as follows:

	<i>HK\$'000</i>
Cash consideration	(117,458)
Cash and bank balances acquired	4,445
<hr/>	
Net outflow of cash and cash equivalents included in cash flows from investing activities	(113,013)

Since the completion of the acquisition, SMSA had not contributed to the Group's turnover but incurred a loss of approximately HK\$3,408,000 to the consolidated profit for the period ended 30 June 2014.

Had the acquisition taken place at the beginning of the period, the turnover and profit of the Group for the period ended 30 June 2014 would have been HK\$15,202,818,000 and HK\$167,860,000, respectively.

As at 31 December 2014, the Group finalised its assessment of the fair values of the identifiable assets and liabilities of SMSA and the purchase consideration and concluded that the final amount of gain on bargain purchase for this acquisition was HK\$1,319,000, compared with the provisional goodwill of nil initially assessed and, hence, made an adjustment to recognise the gain on bargain purchase of HK\$1,319,000 for the year ended 31 December 2014.

- (ii) On 2 December 2013, TCL Electrical Appliance Sales Co., Ltd. ("Sales Co", a wholly-owned subsidiary of the Company) entered into an equity transfer agreement with Toshiba Corporation, an independent third party, pursuant to which Sales Co agreed to acquire an additional 21% equity interest in Toshiba Visual Products (China) Co., Ltd. ("Toshiba Visual", a former 49% owned associate of Sales Co) at nil consideration. Toshiba Visual is mainly engaged in the trading of television products and components. The equity transfer was completed on 9 May 2014 and Toshiba Visual became a subsidiary of the Group since then.

The equity transfer was regarded as a business combination achieved in stages. The Group accordingly remeasured the fair value of its previously held equity interest in Toshiba Visual at the equity transfer date and recognised the resulting gain of HK\$49,307,000 in the consolidated statement of profit or loss and other comprehensive income.



INTERIM RESULTS

16. BUSINESS COMBINATIONS (continued)

(ii) (continued)

The Group had elected to measure the non-controlling interest in Toshiba Visual at the non-controlling interest's proportionate share of Toshiba Visual's identifiable net liabilities.

The aggregate provisional fair values of the identifiable assets and liabilities of Toshiba Visual as at the date of equity transfer were as follows:

	Provisional fair value recognised on equity transfer <i>HK\$'000</i>
Property, plant and equipment	345
Inventories	141,543
Trade receivables	144,979
Other receivables	4,493
Cash and bank balances	17,422
Trade payables	(239,148)
Other payables and accruals	(170,819)
Total identifiable net liabilities at fair value	(101,185)
Non-controlling interests	30,355
	(70,830)
Provisional goodwill arising on equity transfer	70,830
	-
Satisfied by:	
Cash	-
Fair value of investment in the associate held before the equity transfer	-
	-



INTERIM RESULTS

16. BUSINESS COMBINATIONS (continued)

(ii) (continued)

The fair values of the above equity transfer and the goodwill then arising were determined on a provisional basis as the Group was in the process of completing the independent valuation as at 30 June 2014. They might be adjusted upon the completion of initial accounting year which should not exceed one year from the equity transfer date.

An analysis of the cash flows in respect of the equity transfer of Toshiba Visual was as follows:

	<i>HK\$'000</i>
Cash consideration	–
Cash and bank balances acquired	17,422
<hr/>	
Net inflow of cash and cash equivalents included in cash flows from investing activities	17,422

Since the completion of the equity transfer, Toshiba Visual contributed approximately HK\$115,632,000 and HK\$27,666,000 to the Group's turnover and consolidated profit for the period ended 30 June 2014, respectively.

Had the equity transfer taken place at the beginning of the period, the turnover and profit of the Group for the period ended 30 June 2014 would have been HK\$15,456,236,000 and HK\$157,857,000, respectively.

As at 31 December 2014, the Group finalised its assessment of the fair values of the identifiable assets and liabilities of Toshiba Visual and concluded that the final amount of goodwill for this equity transfer was HK\$50,983,000, compared with the provisional goodwill of HK\$70,830,000 initially assessed and, hence, made an adjustment to decrease the goodwill by HK\$19,847,000 for the year ended 31 December 2014.



INTERIM RESULTS

17. RELATED PARTY TRANSACTIONS

(a) The Group had the following material transactions with related parties during the period:

	Six months ended 30 June	
	2015 (unaudited) HK\$'000	2014 (unaudited) HK\$'000
A joint venture:		
Sales of finished goods	75,875	70,510
After-sale service income	276	-
TCL Corporation:		
Interest expense	-	702
Other finance service fees	1,200	485
T.C.L. Industries:		
Interest expense	3,847	2,804
Associates:		
Interest income	19,438	37,146
Interest expense	977	303
Other finance service fees	1,135	2,610
Sales of finished goods	-	93,769
Sales of raw materials	-	705
Subcontracting fee expense	-	15,409
Companies controlled by TCL Corporation:		
Sales of raw materials	35,333	554,496
Sales of finished goods	1,241,015	501,152
Purchases of raw materials	3,575,125	4,125,991
Purchases of finished goods	695,189	49,311
Subcontracting fee expense	712	-
Subcontracting income	344	22,788
Rental, maintenance fees and facilities usage fees	7,333	1,534
Rental expense	1,991	1,368
Reimbursement of brand advertising costs	142,808	92,688
Logistics service fee expense	145,084	158,539
Call centre service fee expense	-	12,864
Reimbursement of research and development and rental expenses	41,119	43,426
After-sale service income	13,548	37,542
After-sale service fee	99,235	-
Associates of TCL Corporation:		
Purchases of raw materials	67,899	-
Sales of raw materials	335	-
Subcontracting fee expense	114	-
Service fee expenses	31,398	24,835
Content income	887	-



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INTERIM RESULTS

17. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties

	Due from related parties		Due to related parties	
	30 June 2015 (unaudited) HK\$'000	31 December 2014 (audited) HK\$'000	30 June 2015 (unaudited) HK\$'000	31 December 2014 (audited) HK\$'000
A joint venture	47,426	75,094	-	-
Associates	-	14,821	115	1,518
TCL Corporation and its affiliates	1,232,941	967,978	1,332,587	1,707,160

18. APPROVAL OF THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

The unaudited interim condensed financial statements was approved and authorised for issue by the Board on 12 August 2015.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW FOR THE SIX MONTHS ENDED 30 JUNE 2015

The Group sold total of 7.72 million sets of LCD TVs, up by 2.1% year-on-year. Turnover was HK\$15.4 billion, an increase of 1.3% year-on-year. Gross profit rose by 5.1% year-on-year to HK\$2,500 million, and gross profit margin increased from 15.7% of the same period of last year to 16.3%. Expense ratio went down from 14.6% of the same period of last year to 14.3%. Operating profit amounted to HK\$200 million. Profit attributable to owners of the parent was HK\$140 million, down by 19.6% year-on-year. Basic earnings per share was HK10.25 cents.

According to the latest DisplaySearch figures, the Group ranked No.3 in the global LCD TV market with a market share of 6.0% in the first quarter of 2015 and ranked No.3 in the PRC LCD TV market with a market share of 15.8%.

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

	1H 2015 (<i>'000 sets</i>)	1H 2014 (<i>'000 sets</i>)	Change
LCD TVs	7,716	7,557	2.1%
of which: LED backlight LCD TVs	7,699	7,558	1.9%
Smart TVs	2,286	1,412	61.9%
– PRC Market	3,868	3,557	8.8%
– Overseas Markets	3,848	4,000	(3.8%)
Total TV Sales Volume	7,742	7,669	0.9%



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MANAGEMENT DISCUSSION AND ANALYSIS

	Accumulated							
	Total as of	2015	2014		1H 2015	1H 2014	Change	
	30 June 2015	June	June	Change				
Number of TCL activated smart TV users ⁽¹⁾	9,062,871	429,055	163,596	162.3%	2,315,801	1,231,394		88.1%
Daily average number of active users ⁽²⁾	N/A	3,440,254	1,813,127	89.7%	N/A	N/A		N/A

Notes:

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

The PRC Market

Through product mix adjustment and organisational efficiency enhancement, the Group's operating results in the PRC Market for the first half of the year showed improvements, compared with the same period of previous year. Turnover increased by 13.4% year-on-year to HK\$9,730 million, and LCD TV sales volume increased by 8.8% year-on-year to 3.87 million sets. Of which, operating results improved substantially in the first quarter, with LCD TV sales volume rising by 20.5% year-on-year to 2.17 million sets. The second quarter, however, impacted by negative growth in market capacity and a rather conservative sales strategy of the Group, recorded a 3.3% decline comparing with the same period of last year in LCD TV sales volume to 1.70 million sets, thus diluting the improved results from the first quarter.



MANAGEMENT DISCUSSION AND ANALYSIS

In the PRC Market, the Group continued to focus on high colour domain mid-to-high-end products with curved, big-screen, ultra-high-definition, priced at above RMB7,000, as well as quantum dot, etc. Improvement in the product mix has started to yield positive results, with average selling price of LCD TVs increasing by 4.2% year-on-year to HK\$2,516, and gross profit margin increasing from 20.4% of the same period of last year to 21.2%.

- Smart TV sales volume increased by 53.4% year-on-year to 1.96 million sets, accounting for 50.7% of the Group's LCD TV sales volume in the PRC Market.
- 4K TV sales volume amounted to 535,000 sets, accounting for 13.8% of the Group's LCD TV sales volume in the PRC Market.
- Since the launch of Curved TV H8800 Series in April, the market share of Curved TVs has increased steeply, taking up 24.0% market share in June (Source: AVC).

The Group continued to promote its strategy of vertical integration of its online and offline business, strengthening the improvements of its distribution channels, with proportion of sales volume from the e-commerce channel increasing from 11.0% in the first quarter to 14.1% of the first half of 2015.

Although there was a continuous improvement in the Group's product mix, there was still a disparity in the sales volume of its 4K TVs compared with its major competitors. On the other hand, impacted by the expansion of the sales channels, its accounts receivable turnover days has increased, compared with the end of last year.



MANAGEMENT DISCUSSION AND ANALYSIS

Overseas Markets

The Group's operating results in the Overseas Markets fell below expectations. Turnover decreased by 6.8% year-on-year to HK\$5,590 million. Sales volume of LCD TVs was 3.85 million sets, down by 3.8% year-on-year.

- LCD TV sales volume of the Strategic ODM business was down by 13.3% when compared with the same period of last year. Impacted by major customers, sales volume dropped significantly by 34.7% year-on-year in the first quarter. However, sales volume was back on track with an increase of 15.8% when compared with the same period of last year in the second quarter.
- In the first half of the year, LCD TV sales volume in the European Market decreased by 12.8% when compared with the same period of last year due to the influence of regional economics. However, through sales strategy adjustments, LCD TV sales volume has improved since launching of new products in June.
- LCD TV sales volume in the Emerging Markets fell by 1.3% year-on-year to 2.04 million sets.
- In the North American Market, benefitting from successful expansions in sales channels, LCD TV sales volume increased by 123.8% year-on year.

In the Overseas Markets, the Group continued to optimise its product mix towards mid-to-high-end products and initiated the implementation of TV+ strategy, gradually expanding the base of paid content users. However, affected by exchange fluctuations in regions such as Europe and South America, the Group's LCD TV average selling price in the Overseas Markets retreated by 2.3% year-on-year, and gross profit margin narrowed by 2.9 percentage points to 7.8% year-on-year.



MANAGEMENT DISCUSSION AND ANALYSIS

Internet Business

Adhering to the proactive promotion of its “double +” strategic transformation, the Group continued to propel the establishment of an internet ecosystem for its existing and new businesses. It has continued to develop four core internet businesses comprising video (including GoLive), gaming, education and lifestyles.

- Average daily video-on-demand frequency increased from 11 times in 2014 to 14 times in the first half year of 2015; average daily time spent stood at 3.8 hours (based on data of iQIYI content).
- Average daily viewing time of education contents increased from 13.6 minutes in 2014 to 43 minutes in the first half year of 2015.
- Average daily gaming time within a week increased from 43 minutes in 2014 to 72.5 minutes in the first half year of 2015.

At the end of the reporting period, the accumulated number of TCL activated smart TV users totalled 9,062,871 and the daily average number of active users in June 2015 was 3,440,254. In the first half of the year, service revenue from its internet business was RMB2.47 million.

As the realisation model of video streaming business develops into a mature stage, the Group’s video service revenue is estimated to reach approximately RMB40.4 million in 2015 through large amount of service revenue generated from paid contents and advertising, etc. Total service revenue from its internet business will reach approximately RMB50.0 million.

In terms of future strategies of the internet business, the Group’s ultimate holding company, TCL Corporation, officially announced that it had entered into a strategic cooperation agreement with Tencent Holdings Limited in May 2015, as well as cooperating on GoLive home theatre business, which will support the Group’s internet business through the development of video and gaming TV applications. Besides, the Group will lay the foundations for strategic investments in its education and lifestyles businesses, and build a diversified TCL platform.



MANAGEMENT DISCUSSION AND ANALYSIS

R&D

At the spring product launch presentation held in Shenzhen on 8 April 2015, the Group introduced various new products, including its flagship new TV+ product, the Curved TV H8800 Series. Such series combines the industry's advanced quantum dot and curved screen dual core technologies, with an industry leading colour domain coverage ratio of 110%. While record-breaking surface curvature greatly enhances picture quality, the series is also equipped with Harman Kardon sound system to bring to users a cinematic audio-visual experience. In addition, the Group introduced an innovative product, the E6800 True Colour Series Module TV. Users will be able to freely swap smartcards to bring a various range of smart TV configurations and performances. Other new products included the exquisite 4K2K TV from the innovative True Color TV E5800 Series, and the smart full high-definition TV F3800 Series, etc.

The Group is continuously committed to strengthening capabilities in its product technology innovation, and will soon launch High Dynamic Range TV with higher luminance dynamic range and wider colour gamut to enhance users' visual experience, continuously providing them with more convenient smart TV control systems. It will also offer an optimised solution for improved internet broadcasting in order to adapt to the changes in the evolving TV ecosystem.

Outlook

According to the latest data from DisplaySearch, the future growth of the global TV industry is expected to slow down. According to the latest statistics from China Market Monitor Company Limited, capacity in the PRC market is expected to reverse from a growth pattern to a decline trend in the second half of the year. Industry competition is intensifying, along with the industrial transformations in the conventional TV industry, with new entrants bringing new business model challenges, and a shift in the TV industry from product-based competition to "products + services" battle. All these have resulted in increasing competitive pressure in the future.



MANAGEMENT DISCUSSION AND ANALYSIS

The Group will continue to pursue the following strategies to actively promote its business transformation, consolidate and improve its TV market share, and enhance operational efficiency:

1. The Group will continue to implement the “double +” strategic transformation and strengthen its capabilities in product technology innovation, various applications and content services, thereby establishing a competitive O2O business model to further promote the integration of its online and offline operations and strengthen its user management capability.
2. The Group will continue to pursue the internationalisation strategy and gradually expand the share of paid content users through the TV+ strategy of integrating TV sales with content operations in the Overseas Markets. Besides, it is expected that its overall competitiveness and operational quality can also be improved in the key markets through enhancing marketing and industrial capacity and optimising supply chain management.
3. The Group will strive to enhance its efficiency. 2015 is a year of “Efficiency” + “Structure”. In the first half of the year, improvement in the product mix has started to yield results. The Group will continue to improve its product mix and sales channels, and adjust its organisational structure to help optimise its decision-making mechanism and further improve its operational efficiency and core competitiveness.

The Group is committed to achieving its operational targets in 2015. Meanwhile, it will continue to take full advantage of the resources and market position of TCL Corporation to establish TCL Multimedia as a “global entertainment technology enterprise”, delivering improved results to reward the support of shareholders.



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MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Significant Investments, Acquisitions and Disposals

The Group has the following significant investment during the period.

On 11 November 2014, Sino Leader (Hong Kong) Limited ("Sino Leader", a wholly-owned subsidiary of the Company) entered into a joint venture agreement with Crown Capital Enterprises Limited (a wholly-owned subsidiary of TCL Corporation) and Prosper Fortune Enterprises Limited (a wholly-owned subsidiary of TCL Communication Technology Holdings Limited ("TCL Communication")) to invest in a joint venture, TCL Smart Home Technologies Co., Limited ("TCL Smart Home"). Pursuant to the joint venture agreement, Sino Leader will contribute RMB9,000,000 (equivalent to approximately HK\$11,369,000) as initial capital contribution to TCL Smart Home, representing 30% of the enlarged capital of TCL Smart Home. As the business develops, Sino Leader will contribute up to a maximum of further RMB18,000,000 (equivalent to approximately HK\$22,680,000) to TCL Smart Home by way of subscription of new shares and/or advancing shareholders' loan. The initial capital contribution was completed on 16 February 2015.

Liquidity and Financial Resources

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

The cash and bank balance of the Group as at 30 June 2015 amounted to approximately HK\$3,307,456,000, of which 0.3% was maintained in Hong Kong dollars, 18.2% in US dollars, 77.2% in Renminbi, 1.4% in Euro and 2.9% in other currencies for the overseas operation.

There was no material change in the available credit facilities when compared with those for the year ended 31 December 2014 and there was no asset held under finance lease as at 30 June 2015.

As at 30 June 2015, the Group's gearing ratio was 26.2% which is calculated based on the Group's net borrowing of approximately HK\$1,210,331,000 (calculated as total interest-bearing borrowings less pledged deposits and cash and bank balances) and the equity attributable to owners of the parent of approximately HK\$4,611,259,000. The maturity profile of the borrowings ranged from one to two years.



MANAGEMENT DISCUSSION AND ANALYSIS

Pledge of Assets

As at 30 June 2015, pledged deposits of the Group amounting to approximately HK\$165,569,000 were pledged for certain bills payable amounting to approximately HK\$153,658,000 (31 December 2014: pledged deposits of the Group amounting to approximately HK\$203,298,000 were pledged for certain bills payable amounting to approximately HK\$200,846,000).

Capital Commitments and Contingent Liabilities

As at 30 June 2015, the Group had capital commitments of approximately HK\$49,997,000 (31 December 2014: HK\$61,429,000) and approximately HK\$304,688,000 (31 December 2014: HK\$305,633,000) which were contracted but not provided for and authorised but not contracted for, respectively. There was no significant change in contingent liabilities of the Group compared to the position outlined in the Company's 2014 annual report.

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 the Company's 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.



MANAGEMENT DISCUSSION AND ANALYSIS

Employee and Remuneration Policy

The Group has a total of 23,860 dynamic and talented employees. They are all dedicated to advancing the quality and reliability of our operations. Remuneration policy is reviewed regularly, making reference to current legislation, market condition and both the performance of individual and the Company. In order to align the interests of staff with those of shareholders, share options were granted to employees under the Company's share option schemes. Options for subscribing a total of 56,091,593 shares remained outstanding at the end of the reporting period.

A restricted share award scheme (the "Award Scheme") was also adopted by the Company on 6 February 2008 pursuant to which existing shares would be purchased by BOCI-Prudential Trustee Limited (the "Trustee") from the market out of cash contributed by the Company and be held on trust for the relevant selected employees until such shares are vested with the relevant selected employees in accordance with the provisions of the Award Scheme.



OTHER INFORMATION

CHANGES OF PARTICULARS OF THE DIRECTORS

As at 24 August 2015, being the latest practicable date for ascertaining certain information in this interim report, certain particulars of the directors had been changed in the following respects since the published date of annual report 2014 of the Company, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

Effective Date	Change
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15 July 2015	Mr. YAN Xiaolin resigned as a non-executive director of TCL Communication
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DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2015, 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 Stock Exchange of Hong Kong Limited (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 ("Model Code"), were as follows:

OTHER INFORMATION

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

(A) Interests in the Company – Long Positions

Name of Director	Number of ordinary shares held			Number of underlying shares held under equity derivatives	Total	Approximate percentage of issued share capital of the Company
	Personal interests (Note 1)	Family interests	Other interests (Note 2)			
LI Dongsheng	41,536,731	1,500,000	127,924	4,326,367	47,491,022*	3.539%
BO Lianming	2,460,727	–	1,841,297	6,448,245	10,750,269	0.801%
HAO Yi	2,651,939	–	1,691,182	4,293,337	8,636,458	0.644%
YAN Xiaolin	390,600	–	78,409	1,086,212	1,555,221	0.116%
XU Fang	1,342,760	–	1,213,415	1,447,158	4,003,333	0.298%
Albert Thomas DA ROSA, Junior	63,333	–	–	294,410	357,743	0.027%
HUANG Xubin	1,060,560	–	81,991	460,177	1,602,728	0.119%
TANG Guliang	63,333	–	–	194,410	257,743	0.019%
Robert Maarten WESTERHOF	30,000	–	–	327,743	357,743	0.027%
WU Shihong	63,333	–	–	294,410	357,743	0.027%

* As at 30 June 2015, Mr. LI Dongsheng was deemed to be interested in 47,491,022 shares of the Company, comprising (a) 41,536,731 shares of the Company, share options for subscribing 4,326,367 shares of the Company and 92,797 restricted shares of the Company, all being held by Mr. LI Dongsheng; and (b) 1,500,000 shares of the Company and 35,127 restricted shares of the Company, all being held by the spouse of Mr. LI Dongsheng.



OTHER INFORMATION

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

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

TCL Corporation (Note 3)

Name of Director	Number of ordinary shares held		Number of underlying shares held under equity derivatives	Total	Approximate percentage of issued share capital of TCL Corporation
	Personal interests	Other interests (Note 4)			
LI Dongsheng	638,273,688	408,899,521	–	1,047,173,209	8.566%
BO Lianming	4,058,801	–	–	4,058,801	0.033%
YAN Xiaolin	597,100	–	1,522,400	2,119,500	0.017%
HUANG Xubin	3,383,380	–	–	3,383,380	0.028%

OTHER INFORMATION

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

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

TCL Communication (Note 5)

Name of Director	Number of ordinary shares held			Number of underlying shares held under equity derivatives		Total	Approximate percentage of issued share capital of TCL Communication
	Personal interests	Family interests	Other interests	Personal interests	Family interests		
			(Note 6)				
LI Dongsheng	49,225,553	1,600,000	234,319	2,867,976	51,937	53,979,785*	4.287%
BO Lianming	65,700	-	-	70,000	-	135,700	0.011%
HAO Yi	133	-	-	-	-	133	0.00001%
YAN Xiaolin	-	-	51,011	186,133	-	237,144	0.019%
XU Fang	-	-	33,919	1,565,188	-	1,599,107	0.127%
HUANG Xubin	-	-	53,341	1,137,265	-	1,190,606	0.095%

- * As at 30 June 2015, Mr. LI Dongsheng was deemed to be interested in 53,979,785 shares of TCL Communication, comprising (a) 49,225,553 shares of TCL Communication, share options for subscribing 2,867,976 shares of TCL Communication and 211,467 awarded shares of TCL Communication, all being held by Mr. LI Dongsheng; and (b) 1,600,000 shares of TCL Communication, share options for subscribing 51,937 shares of TCL Communication and 22,852 awarded shares of TCL Communication, all being held by the spouse of Mr. LI Dongsheng.



OTHER INFORMATION

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

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

Tonly Holdings (Note 7)

Name of Director	Number of ordinary shares held		Number of underlying shares held under equity derivatives	Total	Approximate percentage of issued share capital of Tonly Holdings
	Personal interests	Family interests			
LI Dongsheng	5,306,968	380,700	–	5,687,668	2.283%
BO Lianming	28,653	–	–	28,653	0.011%
HAO Yi	116	–	–	116	0.00005%
XU Fang	7,768	–	–	7,768	0.003%
Albert Thomas DA ROSA, Junior	5,476	–	–	5,476	0.002%
HUANG Xubin	4,325	–	–	4,325	0.002%
TANG Guliang	5,476	–	–	5,476	0.002%
Robert Maarten WESTERHOF	2,142	–	–	2,142	0.0009%
WU Shihong	5,476	–	–	5,476	0.002%



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

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

Huizhou Techne (Note 8)

Name of Director	Number of ordinary shares held		Number of underlying shares held under equity derivatives	Total	Approximate percentage of issued share capital of Huizhou Techne
	Personal interests	Family interests			
WU Shihong	802,700	-	-	802,700	0.349%

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

CSOT (Note 9)

Name of Director	Registered capital (Note 10)	Approximate percentage of registered capital of CSOT
BO Lianming	RMB34,912,000	0.214%



OTHER INFORMATION

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

Notes:

1. On 11 July 2015, the Company entered into a deed of termination with the relevant directors. Accordingly, the subscription of 2,056,000, 1,850,000, 1,028,000 and 1,234,000 new shares of the Company by Mr. LI Dongsheng, Mr. BO Lianming, Mr. HAO Yi and Ms. XU Fang respectively originally under the subscription agreement dated 24 June 2015 was terminated in all respect.
2. The interests were the restricted shares granted to the relevant directors and/or their spouses under the Award Scheme of the Company and they were not vested as at 30 June 2015.
3. TCL Corporation, a joint stock company established under the laws of the PRC, is the ultimate controlling shareholder of the Company.
4. As at 30 June 2015, Mr. LI Dongsheng was a limited partner of Xinjiang Jiutian Liancheng Equity Investment Partnership Enterprise (Limited Partnership) ("Jiutian") and held approximately 70.21% shares of Jiutian. Huizhou Dongxu Zhiyue Equity Investment Management Co., Ltd. ("Dongxu") was the general partner of Jiutian and held approximately 0.12% shares of Jiutian, and Mr. LI Dongsheng held approximately 51.00% shares of Dongxu.
5. TCL Communication is a subsidiary of TCL Corporation and hence an associated corporation of the Company under Part XV of the SFO.
6. The interests were the awarded shares granted to the relevant directors and/or their spouses under the share award scheme of TCL Communication and they were not vested as at 30 June 2015.



OTHER INFORMATION

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

Notes: (continued)

7. 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.
8. Huizhou Techne Corporation ("Huizhou Techne") is a subsidiary of TCL Corporation and hence an associated corporation of the Company under Part XV of the SFO.
9. Shenzhen China Star Optoelectronics Technology Co., Ltd. ("CSOT") is a subsidiary of TCL Corporation and hence an associated corporation of the Company under Part XV of the SFO.
10. As at 30 June 2015, Mr. BO Lianming was deemed to be interested in CSOT since he owned Tibet Shannan Star Ripple Venture Capital Partnership (Limited Partnership) ("Star Ripple") as to approximately 57.58% and Star Ripple in turn held approximately 0.214% of the registered capital of CSOT.

Save as disclosed above, as at 30 June 2015, 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.



OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2015, the interests and short positions of the persons, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long position in shares of the Company

Shareholder	Capacity	Number of shares held	Percentage of issued share capital of the Company
TCL Corporation	Interest of controlled corporation	840,710,475 (Note 1)	62.66% (Note 2)

Notes:

1. TCL Corporation was deemed to be interested in 840,710,475 shares of the Company held by T.C.L. Industries, a direct wholly-owned subsidiary of TCL Corporation. The Company has been notified by TCL Corporation that the holding of T.C.L. Industries as at 30 June 2015 was 849,234,475 shares of the Company. However, the increase of such holding did not give rise to any disclosure obligation under the SFO.
2. Such percentage was calculated based on the number of 840,710,475 shares disclosed on the website of the Hong Kong Stock Exchange against the issued share capital of the Company as at 30 June 2015, being 1,341,786,780 shares in issue.

Save as disclosed above, as at 30 June 2015, 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.



OTHER INFORMATION

SHARE OPTIONS SCHEMES

The Company adopted the share option scheme on 15 February 2007 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the share option scheme include the Company's directors, including independent non-executive directors, other employees of the Group, advisers, consultants, agents, contractors, suppliers of goods or services to the Group, customers of the Group, the Company's shareholders, any non-controlling shareholder in the Company's subsidiaries and any other person whom the Board at its sole discretion considers may contribute or have contributed to the Group. The share option scheme became effective on 15 February 2007 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.

As at 31 December 2014, 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 was 104,402,450 shares, which represented about 7.83% of the issued share capital of the Company as at 31 December 2014.

As at 30 June 2015, 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 was 190,161,317 shares, which represented about 14.17% of the issued share capital of the Company as at 30 June 2015.

OTHER INFORMATION

SHARE OPTIONS SCHEMES (continued)

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

Name or category of participant	Number of share options					At 30 June 2015	Date of grant of share options	Exercise price of share options HK\$	Exercise period of share options	Price of Company's shares	
	At 1 January 2015	Reclassification	Granted during the period	Exercised during the period	Lapsed during the period					At grant date HK\$	At exercise date HK\$
Directors											
<i>Executive directors</i>											
LI Dongsheng	1,325,733	-	-	-	-	1,325,733	5-Jul-11	3.17	Note2	3.17	N/A
	-	-	3,000,634	-	-	3,000,634	9-Mar-15	4.60	Note3	4.60	N/A
	1,325,733	-	3,000,634	-	-	4,326,367					
BO Lianming	446,977	-	-	-	-	446,977	5-Jul-11	3.17	Note2	3.17	N/A
	-	-	6,001,268	-	-	6,001,268	9-Mar-15	4.60	Note3	4.60	N/A
	446,977	-	6,001,268	-	-	6,448,245					
HAO Yi	618,667	-	-	-	-	618,667	5-Jul-11	3.17	Note2	3.17	N/A
	-	-	3,674,670	-	-	3,674,670	9-Mar-15	4.60	Note3	4.60	N/A
	618,667	-	3,674,670	-	-	4,293,337					
YAN Xiaolin	106,300	-	-	-	-	106,300	5-Jul-11	3.17	Note2	3.17	N/A
	-	-	979,912	-	-	979,912	9-Mar-15	4.60	Note3	4.60	N/A
	106,300	-	979,912	-	-	1,086,212					
XU Fang*	-	183,000	-	-	-	183,000	8-Nov-10	3.60	Note1	3.60	N/A
	-	423,067	-	-	-	423,067	5-Jul-11	3.17	Note2	3.17	N/A
	-	-	841,091	-	-	841,091	9-Mar-15	4.60	Note3	4.60	N/A
	-	606,067	841,091	-	-	1,447,158					
	2,497,677	606,067	14,497,575	-	-	17,601,319					

OTHER INFORMATION

SHARE OPTIONS SCHEMES (continued)

Name or category of participant	Number of share options					At 30 June 2015	Date of grant of share options	Exercise price of share options HK\$	Exercise period of share options	Price of Company's shares	
	At 1 January 2015	Reclassification	Granted during the period	Exercised during the period	Lapsed during the period					At grant date HK\$	At exercise date HK\$
<i>Non-Executive directors</i>											
Albert Thomas DA ROSA, Junior	100,000	-	-	-	-	100,000	5-Jul-11	3.17	Note2	3.17	N/A
	-	-	194,410	-	-	194,410	9-Mar-15	4.60	Note3	4.60	N/A
	100,000	-	194,410	-	-	294,410					
HUANG Xubin	265,767	-	-	-	-	265,767	5-Jul-11	3.17	Note2	3.17	N/A
	-	-	194,410	-	-	194,410	9-Mar-15	4.60	Note3	4.60	N/A
	265,767	-	194,410	-	-	460,177					
SHI Wanwen**	53,167	(53,167)	-	-	-	-	5-Jul-11	3.17	Note2	3.17	N/A
	-	(194,410)	194,410	-	-	-	9-Mar-15	4.60	Note3	4.60	N/A
	53,167	(247,577)	194,410	-	-	-					
TANG Guliang	100,000	-	-	(100,000)	-	-	5-Jul-11	3.17	Note2	3.17	5.94
	-	-	194,410	-	-	194,410	9-Mar-15	4.60	Note3	4.60	N/A
	100,000	-	194,410	(100,000)	-	194,410					
Robert Maarten WESTERHOF	133,333	-	-	-	-	133,333	5-Jul-11	3.17	Note2	3.17	N/A
	-	-	194,410	-	-	194,410	9-Mar-15	4.60	Note3	4.60	N/A
	133,333	-	194,410	-	-	327,743					
WU Shihong	100,000	-	-	-	-	100,000	5-Jul-11	3.17	Note2	3.17	N/A
	-	-	194,410	-	-	194,410	9-Mar-15	4.60	Note3	4.60	N/A
	100,000	-	194,410	-	-	294,410					
	752,267	(247,577)	1,166,460	(100,000)	-	1,571,150					

OTHER INFORMATION

SHARE OPTIONS SCHEMES (continued)

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	Price of Company's shares		
	At 1 January 2015	Reclassification	Granted during the period	Exercised during the period	Lapsed during the period				At grant date HK\$	At exercise date HK\$	
	At 30 June 2015										
Other employees and those who have contributed or may contribute to the Group	2,128,800	(183,000)	-	(1,827,800)	-	118,000	8-Nov-10	3.60	Note 1	3.60	4.98
	9,640,967	(369,900)	-	(6,260,466)	-	3,010,601	5-Jul-11	3.17	Note 2	3.17	5.80
	-	194,410	33,596,113	-	-	33,790,523	9-Mar-15	4.60	Note 3	4.60	N/A
	<u>11,769,767</u>	<u>(358,490)</u>	<u>33,596,113</u>	<u>(8,088,266)</u>	<u>-</u>	<u>36,919,124</u>					
	<u>15,019,711</u>	<u>-</u>	<u>49,260,148</u>	<u>(8,188,266)</u>	<u>-</u>	<u>56,091,593</u>					

Note 1 50% of such share options are exercisable after the expiry of 6 months from the date of grant, and the remaining 50% are exercisable after the expiry of 18 months from the date of grant, up to 7 November 2015.

Note 2 One-ninth of such share options are exercisable after the expiry of 18 months from the date of grant, a further three-ninth are exercisable after the expiry of 30 months from the date of grant, and the remaining five-ninths are exercisable after the expiry of 42 months from the date of grant, up to 4 July 2017.

Note 3 One-third of such share options are exercisable after the expiry of 22 months from the date of grant, a further one third are exercisable after the expiry of 34 months from the date of grant, and the remaining one third are exercisable after the expiry of 46 months from the date of grant, up to 8 March 2021.

* Ms. XU Fang was appointed as an executive director of the Company on 21 May 2015.

** Mr. SHI Wanwen resigned as a non-executive director of the Company on 21 May 2015.



OTHER INFORMATION

AWARD SCHEME

The Company adopted the Award Scheme on 6 February 2008. By a shareholders' resolution passed in the extraordinary general meeting held on 11 August 2015, the Award Scheme was amended. The Company has appointed the Trustee for the administration of the Award Scheme. To the knowledge and belief of the Company, the Trustee is an independent third party to the Company. No one, including the Trustee, may exercise any voting rights in respect of the restricted shares held by the Trustee.

Under the pre-amended Award Scheme, the grantees of the restricted shares are not entitled to any distribution the Company made in respect of the restricted shares. However, under the amended Award Scheme, the grantees are entitled to the certain distributions derived from the restricted shares, which mainly covers dividend paid by the Company during the period from the date of grant of the restricted shares to the date of vesting of the restricted shares ("Vesting Date"), which shall however only be vested on the relevant grantees on the Vesting Date subject to fulfilment of the vesting conditions.

The Company may determine any vesting conditions for the restricted shares as it considers appropriate in its absolute discretion. The vesting conditions set for the restricted shares granted but not vested are generally performance targets to be achieved by the grantees. Such performance targets vary among the grantees, and include performance targets for the business of the Group as a whole, the performance targets for the departments/business units the grantees belong to, and individual targets specific to the grantees determined in accordance with the departments/business units the grantees belong to, the positions held by the grantees and the specific duties of the grantees.

Details of the Award Scheme and the amendments made to it are set out in the announcements dated 6 February 2008 and 25 June 2015 respectively and the circulars dated 19 March 2008 and 27 July 2015 respectively.

Information in relation to the Award Scheme is as follows:

Number of restricted shares				
Granted but not vested as at 1 January 2015	Granted during the period	Vested during the period	Lapsed during the period	Granted but not vested as at 30 June 2015
17,648,000	45,332,000 ^{Note}	6,000,000	–	56,980,000

Note: No restricted share was granted pursuant to the pre-amended Award Scheme and 45,332,307 restricted shares were granted pursuant to the amended Award Scheme.



OTHER INFORMATION

AWARD SCHEME (continued)

As at 30 June 2015, 88,846,371 further restricted shares might be granted to the eligible participants of the Award Scheme, which represented about 6.62% of the issued share capital of the Company as at 30 June 2015.

The expenses in relation to the Award Scheme recorded during the period from 1 January 2015 to 30 June 2015 were HK\$1,571,000.

PURCHASES, SALE OR REDEMPTION OF SHARES

There was no purchase, sale or redemption of shares for the six months ended 30 June 2015.

CORPORATE GOVERNANCE

None of the directors of the Company is aware of any information which would reasonably indicate that the Company had not, throughout the six months ended 30 June 2015, complied with the code provisions (the "Code Provisions") set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Listing Rules, except for the deviation from the Code Provisions A.6.7, D.1.4 and F.1.1. The reason for the deviation from the Code Provision F.1.1 remains the same as those stated in the Company's 2014 annual report.

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

Due to other pre-arranged business commitments which must be attended to by each of them, Mr. Albert Thomas DA ROSA, Junior, Mr. HUANG Xubin and Mr. SHI Wanwen (resigned as a non-executive director of the Company on 21 May 2015), being non-executive directors of the Company, and Dr. TSENG Shiang-chang Carter, being an independent non-executive director of the Company, were not present at the annual general meeting of the Company held on 28 April 2015. However, Mr. TANG Guliang, Mr. Robert Maarten WESTERHOF and Ms. WU Shihong, being independent non-executive directors of the Company, were present at the annual general meeting to ensure an effective communication with the shareholders thereat.



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OTHER INFORMATION

CORPORATE GOVERNANCE (continued)

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 all directors (except for Mr. YAN Xiaolin who was appointed as a non-executive director of the Company on 24 April 2013 and Ms. XU Fang who was appointed as an executive director of the Company on 21 May 2015) as most of them have been serving as directors for a considerable period of time, a clear understanding of the terms and conditions of their appointment already exists between the Company and the directors, and so there is no written record of the same. In any event, all directors, including those without a letter of appointment and those appointed for a specific term, shall be subject to retirement by rotation in the manner prescribed under the articles of association of the Company, and on re-election of the retiring directors, shareholders are given information that is reasonably necessary for them to make an informed decision on the reappointment of the relevant directors.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's unaudited condensed financial statements for the six months ended 30 June 2015, including the accounting principles adopted by the Group, with the Company's management. The Audit Committee comprises four members including Mr. TANG Guliang (Chairman), Ms. WU Shihong and Dr. TSENG Shieng-chang Carter, all being independent non-executive directors of the Company, and Mr. HUANG Xubin, a non-executive director of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

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

On behalf of the Board

LI Dongsheng

Chairman

Hong Kong, 12 August 2015

As at the date of this report, the Board comprises LI Dongsheng, BO Lianming, HAO Yi, YAN Xiaolin and XU Fang as executive directors, Albert Thomas DA ROSA, Junior and HUANG Xubin as non-executive directors and TANG Guliang, Robert Maarten WESTERHOF, TSENG Shieng-chang Carter and SO Wai-man Raymond as independent non-executive directors.