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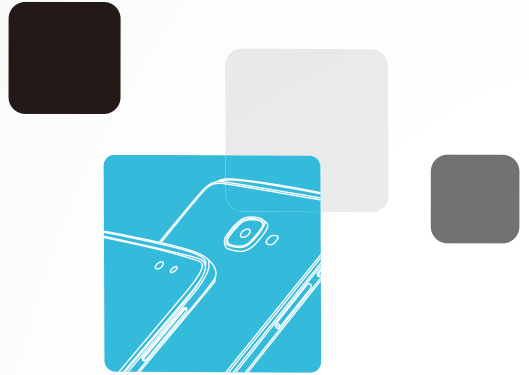
TCL COMMUNICATION TECHNOLOGY HOLDINGS LIMITED

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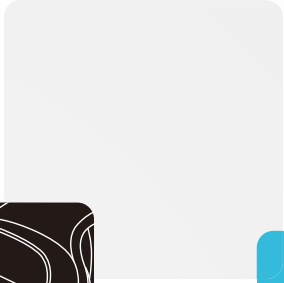
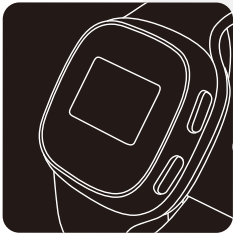


INTERIM REPORT
2016





TCL COMMUNICATION TECHNOLOGY HOLDINGS LIMITED
INTERIM REPORT 2016



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. LI Dongsheng (*Chairman*)
Mr. GUO Aiping
Mr. WANG Jiyang (*Retired on 18 May 2016*)
Mr. Nicolas Daniel Bernard ZIBELL

Non-executive Directors

Mr. HUANG Xubin
Mr. LIAO Qian

Independent Non-executive Directors

Mr. LAU Siu Ki
Mr. LOOK Andrew
Mr. KWOK Hoi Sing

AUDIT COMMITTEE

Mr. LAU Siu Ki (*Chairman*)
Mr. LOOK Andrew
Mr. KWOK Hoi Sing
Mr. HUANG Xubin

REMUNERATION COMMITTEE

Mr. LAU Siu Ki (*Chairman*)
Mr. LOOK Andrew
Mr. KWOK Hoi Sing
Mr. LIAO Qian

NOMINATION COMMITTEE

Mr. KWOK Hoi Sing (*Chairman*)
Mr. LAU Siu Ki
Mr. LOOK Andrew
Mr. LIAO Qian

COMPANY SECRETARY

Ms. PANG Siu Yin
(*resigned with effect from 13 August 2016*)
Ms. CHOY Fung Yee
(*appointed with effect from 13 August 2016*)

AUTHORISED REPRESENTATIVES

Mr. GUO Aiping
Ms. PANG Siu Yin
(*resigned with effect from 13 August 2016*)
Ms. CHOY Fung Yee
(*appointed with effect from 13 August 2016*)

ALTERNATE AUTHORISED REPRESENTATIVE

Mr. LIAO Qian
(*appointed with effect from 13 August 2016*)

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
Level 9, HSBC Main Building
1 Queen's Road Central
Central
Hong Kong

Standard Chartered Bank (Hong Kong) Limited
13/F, Standard Chartered Bank Building
4-4A Des Voeux Road
Central
Hong Kong

Societe Generale
Level 38, 3 Pacific Place
1 Queen's Road East
Hong Kong

Industrial and Commercial Bank of
China Limited
No.55, FuXingMenNei Street
Xicheng District
Beijing
P.R.C.

Corporate Information

SOLICITORS

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

AUDITORS

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

PRINCIPAL SHARE 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 SHARE REGISTRAR

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

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 1910-12A, 19th Floor, Tower 3
China Hong Kong City
33 Canton Road
Tsimshatsui, Kowloon
Hong Kong

INVESTOR AND MEDIA RELATIONS

Cornerstones Communications Ltd.
Rm 1408-1410, 14/F, Dominion Centre
43-59 Queen's Road East
Wanchai
Hong Kong

TICKER SYMBOL

Listed on The Stock Exchange
of Hong Kong Limited under
the share ticker number 2618

WEBSITE

<http://tclcom.tcl.com>

Interim Results

The Board of Directors (the “Board”) of TCL Communication Technology Holdings Limited (the “Company”) announced the unaudited condensed consolidated results and financial position of the Company and its subsidiaries (collectively, the “Group”) for the three months and six months ended 30 June 2016, with comparative figures for the same periods last year as follows and these condensed interim consolidated financial statements have not been audited, but have been reviewed by the audit committee of the Company:

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months and six months ended 30 June

	Notes	Six months ended 30 June 2016 (Unaudited) HK\$'000	Six months ended 30 June 2015 (Unaudited) HK\$'000	Three months ended 30 June 2016 (Unaudited) HK\$'000	Three months ended 30 June 2015 (Unaudited) HK\$'000
REVENUE	3	10,931,795	13,226,923	5,377,726	6,537,390
Cost of sales		(8,704,526)	(10,672,255)	(4,225,618)	(5,260,892)
Gross profit		2,227,269	2,554,668	1,152,108	1,276,498
Other income and gains	3	490,629	381,646	217,209	226,790
Research and development costs		(778,180)	(812,744)	(420,971)	(392,713)
Selling and distribution expenses		(915,240)	(897,164)	(437,714)	(446,072)
Administrative expenses		(904,635)	(621,073)	(462,363)	(306,359)
Other expenses		(24,210)	(66,768)	(13,167)	(43,980)
Finance costs	4	(58,085)	(68,835)	(21,602)	(33,684)
Share of losses of associates		(6,060)	(1,791)	(5,319)	(750)
Share of losses of joint ventures		(18,065)	(636)	(10,308)	(636)
PROFIT/(LOSS) BEFORE TAX	5	13,423	467,303	(2,127)	279,094
Income tax expense	6	(2,085)	(13,718)	4,189	(10,936)
PROFIT FOR THE PERIOD		11,338	453,585	2,062	268,158

Interim Results

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)

For the three months and six months ended 30 June

	Six months ended 30 June 2016 (Unaudited) HK\$'000	Six months ended 30 June 2015 (Unaudited) HK\$'000	Three months ended 30 June 2016 (Unaudited) HK\$'000	Three months ended 30 June 2015 (Unaudited) HK\$'000
Note				
Attributable to:				
Owners of the parent	22,360	452,667	8,115	267,706
Non-controlling interests	(11,022)	918	(6,053)	452
	11,338	453,585	2,062	268,158
EARNINGS PER SHARE				
ATTRIBUTABLE TO				
ORDINARY EQUITY				
HOLDERS OF THE PARENT	7			
Basic	1.76 HK cents	36.58 HK cents	0.64 HK cents	21.41 HK cents
Diluted	1.74 HK cents	36.01 HK cents	0.63 HK cents	21.06 HK cents

Interim Results

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June

	Six months ended 30 June 2016 (Unaudited) HK\$'000	Six months ended 30 June 2015 (Unaudited) HK\$'000	Three months ended 30 June 2016 (Unaudited) HK\$'000	Three months ended 30 June 2015 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	11,338	453,585	2,062	268,158
OTHER COMPREHENSIVE LOSS				
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:				
Share of other comprehensive income of an associate	2,124	-	2,124	-
Changes in fair value of available-for-sale investments, net of tax	110,829	4,958	57,927	2,106
Cash flow hedges:				
Effective portion of changes in fair value of hedging instruments arising during the period	(68,771)	157,153	(96,249)	(52,190)
Reclassification adjustment for losses/(gains) included in the consolidated statement of profit or loss	105,773	(308,879)	85,206	(141,891)
Income tax effect	-	(22,588)	-	(22,588)
	37,002	(174,314)	(11,043)	(216,669)
Exchange differences on translation of foreign operations	(203,291)	(61,663)	(262,896)	40,270
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	(53,336)	(231,019)	(213,888)	(174,293)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	(53,336)	(231,019)	(213,888)	(174,293)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	(41,998)	222,566	(211,826)	93,865
Attributable to:				
Owners of the parent	(30,976)	221,648	(205,773)	93,413
Non-controlling interests	(11,022)	918	(6,053)	452
	(41,998)	222,566	(211,826)	93,865

Interim Results

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		1,643,237	1,724,658
Investment properties		100,431	104,114
Prepaid land lease payments		103,327	106,353
Other intangible assets		1,498,906	1,463,537
Goodwill		253,954	253,954
Investments in associates		33,318	35,813
Investments in joint ventures		22,532	26,321
Available-for-sale investments		463,962	352,591
Deferred tax assets		288,226	276,479
Other non-current assets		36,546	20,446
Total non-current assets		4,444,439	4,364,266
CURRENT ASSETS			
Inventories		3,385,771	2,541,199
Trade receivables	8	5,081,619	5,824,206
Factored trade receivables		195,574	271,167
Notes receivable		13,393	17,492
Prepayments, deposits and other receivables		1,167,303	1,600,323
Due from related companies	17(d)	515,506	296,680
Tax recoverable		17,083	3,734
Derivative financial instruments		67,184	93,873
Pledged deposits	9	695,883	1,028,340
Cash and cash equivalents	9	586,645	565,707
Total current assets		11,725,961	12,242,721
CURRENT LIABILITIES			
Interest-bearing bank borrowings	10	2,303,271	2,803,213
Trade and notes payables	11	4,820,203	4,789,906
Bank advances on factored trade receivables		195,574	271,167
Other payables and accruals		3,447,926	3,283,900
Derivative financial instruments		208,983	269,776
Provision for warranties		358,859	422,912
Due to related companies	17(d)	298,827	143,978
Tax payable		7,655	32,833
Total current liabilities		11,641,298	12,017,685
NET CURRENT ASSETS		84,663	225,036
TOTAL ASSETS LESS CURRENT LIABILITIES		4,529,102	4,589,302

Interim Results

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

		30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
	<i>Notes</i>		
TOTAL ASSETS LESS CURRENT LIABILITIES		4,529,102	4,589,302
NON-CURRENT LIABILITIES			
Retirement indemnities		5,290	5,197
Long service medals		2,081	2,044
Interest-bearing bank borrowings	10	155,172	178,268
Due to a related company	17(d)	20,806	63,677
Deferred tax liabilities		18,612	18,096
Other non-current liabilities		276,152	283,683
Total non-current liabilities		478,113	550,965
Net assets		4,050,989	4,038,337
EQUITY			
Equity attributable to owners of the parent			
Share capital	12	1,275,545	1,267,799
Shares held for share award scheme		(5,105)	(6,512)
Reserves		2,705,733	2,691,327
		3,976,173	3,952,614
Non-controlling interests		74,816	85,723
Total equity		4,050,989	4,038,337

Interim Results

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to owners of the parent														Non-controlling interests	Total equity
	Share capital	Share premium account†	Shares held for share award scheme	Awarded share reserve	Share option reserve	Hedging reserve	Contributed surplus	Statutory reserve	Available-for-sale investment revaluation reserve	Other reserve	Exchange fluctuation reserve	Retained profits*	Total			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2015 (audited)	1,220,766	630,976	(9,629)	18,454	86,920	226,008	232,555	362,649	(5,938)	(129,988)	206,439	1,249,636	4,088,848	90,234	4,179,082	
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	452,667	452,667	918	453,585	
Other comprehensive income/(loss) for the period:																
Changes in fair value of available-for-sale investment, net of tax	-	-	-	-	-	-	-	-	4,958	-	-	-	4,958	-	4,958	
Cash flow hedges, net of tax	-	-	-	-	-	(174,314)	-	-	-	-	-	-	(174,314)	-	(174,314)	
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	-	(61,663)	-	-	(61,663)	-	(61,663)	
Total comprehensive income for the period	-	-	-	-	-	(174,314)	-	-	4,958	(61,663)	-	452,667	221,648	918	222,566	
Exercise of share options	32,821	136,616	-	-	(47,016)	-	-	-	-	-	-	-	122,421	-	122,421	
Vesting of awarded shares	5,601	6,272	8,833	(20,706)	-	-	-	-	-	-	-	-	-	-	-	
Reclassification of lapsed share options	-	285	-	-	(285)	-	-	-	-	-	-	-	-	-	-	
Equity-settled share option arrangements	-	-	-	-	10,826	-	-	-	-	-	-	-	10,826	-	10,826	
Share award scheme arrangements	-	-	-	15,246	-	-	-	-	-	-	-	-	15,246	-	15,246	
Share of changes of equity of a joint venture	-	-	-	-	-	-	-	-	-	25	-	-	25	-	25	
Transfer from retained profits	-	-	-	-	-	-	-	7,721	-	-	-	(7,721)	-	-	-	
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,718)	(4,718)	
Final 2014 dividend	-	(91,467)	-	-	-	-	-	-	-	-	-	(233,654)	(325,121)	-	(325,121)	
At 30 June 2015 (unaudited)	1,259,188	682,682*	(796)	12,994*	50,445*	51,694*	232,555*	370,370*	(980)*	(129,963)*	144,776*	1,460,928*	4,133,893	86,434	4,220,327	

* Retained profits and share premium account have been adjusted for the proposed final 2014 dividend and interim 2015 dividend in accordance with the presentation in 2015 annual report.

Interim Results

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended 30 June 2016

	Attributable to owners of the parent														Total equity
	Shares held					Available-for-sale investment				Exchange fluctuation		Retained profits		Non-controlling interests	
	Share capital	Share premium account	Share for share award scheme	Awarded share reserve	Share option reserve	Hedging reserve	Contributed surplus	Statutory reserve	Revaluation reserve	Other reserve	Reserve	Profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2016 (audited)	1,267,799	560,112	(6,512)	6,559	53,374	(109,303)	232,555	372,553	116,169	(129,963)	(473,798)	2,063,069	3,952,614	85,723	4,038,337
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	22,360	22,360	(11,022)	11,338
Other comprehensive income/(loss) for the period:															
Share of other comprehensive income of an associate	-	-	-	-	-	-	-	-	-	2,124	-	-	2,124	-	2,124
Changes in fair value of available-for-sale investments, net of tax	-	-	-	-	-	-	-	-	110,829	-	-	-	110,829	-	110,829
Cash flow hedges, net of tax	-	-	-	-	-	37,002	-	-	-	-	-	-	37,002	-	37,002
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	-	-	(203,291)	-	(203,291)	-	(203,291)
Total comprehensive loss for the period	-	-	-	-	-	37,002	-	-	110,829	2,124	(203,291)	22,360	(30,976)	(11,022)	(41,998)
Exercise of share options	7,331	29,889	-	-	(10,429)	-	-	-	-	-	-	-	26,791	-	26,791
Vesting of awarded shares	415	1,960	1,407	(3,782)	-	-	-	-	-	-	-	-	-	-	-
Reclassification of lapsed share options	-	679	-	-	(679)	-	-	-	-	-	-	-	-	-	-
Equity-settled share option arrangements	-	-	-	-	6,938	-	-	-	-	-	-	-	6,938	-	6,938
Share award scheme arrangements	-	-	-	20,806	-	-	-	-	-	-	-	-	20,806	-	20,806
Transfer from retained profits	-	-	-	-	-	-	-	8,060	-	-	-	(8,060)	-	-	-
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,687)	(3,687)
Deemed disposal of investment in a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	3,802	3,802
At 30 June 2016 (unaudited)	1,275,545	592,640*	(5,105)	23,583*	49,204*	(72,301)*	232,555*	380,613*	226,998*	(127,839)*	(677,089)*	2,077,369*	3,976,173	74,816	4,050,989

* These reserve accounts comprise the consolidated reserves of HK\$2,705,733,000 (30 June 2015: HK\$2,875,501,000) in the consolidated statement of financial position.

Interim Results

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash flows from operating activities	1,551,473	2,186,146
Net cash flows used in investing activities	(979,808)	(1,044,046)
Net cash flows used in financing activities	(239,592)	(1,194,129)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	332,073	(52,029)
Cash and cash equivalents at beginning of period	565,707	473,391
Effect of foreign exchange rate changes, net	(311,135)	71,926
CASH AND CASH EQUIVALENTS AT END OF PERIOD	586,645	493,288
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS:		
Cash and cash equivalents as stated in the consolidated statement of financial position	586,645	493,288

Interim Results

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These condensed interim consolidated 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, 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 the forward currency contracts, interest rate swaps and listed equity investments 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. The accounting policies and basis of preparation adopted in the preparation of these financial statements are the same as those used in the annual financial statements for the year ended 31 December 2015, except for the changes in relation to the following revised HKFRSs and HKASs that are adopted for the first time for the current period's financial statements.

Impact of revised HKFRSs and HKASs

Amendments to HKFRS 10,

HKFRS 12 and HKAS 28 (2011)

Amendments to HKFRS 11

Amendments to HKAS 1

Amendments to HKAS 16

and HKAS 38

Amendments to HKAS 27 (2011)

Annual Improvements 2012-2014 Cycle

Investment Entities: Applying the Consolidation Exception

Accounting for Acquisitions of Interests in Joint Operations

Disclosure Initiative

Clarification of Acceptable Methods of Depreciation and Amortisation

Equity Method in Separate Financial Statements

Amendments to a number of HKFRSs

Interim Results

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

The nature and the impact of each amendment is described below:

- (a) The amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments do not have any impact on the financial position or performance of the Group.

- (b) Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:
 - (i) the materiality requirements in HKAS 1;
 - (ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;
 - (iii) that entities have flexibility as to the order in which they present the notes to financial statements; and
 - (iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments do not have any significant impact on the Group's financial statements.

Interim Results

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(c) Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively. The amendments do not have any impact on the financial position or performance of the Group upon adoption as the Group has not used a revenue-based method for the calculation of depreciation or amortisation of its non-current assets.

2. OPERATING SEGMENT INFORMATION

For management purpose, the management considers that there is only one segment which is research and development, manufacture and sale of mobile phones and other products, and rendering of services. All of the Group's products or services are of a similar nature and subject to similar risk and returns.

Geographical information

(a) Revenue from external customers

	For the six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
North America	3,425,755	3,222,032
Latin America	2,939,966	3,999,963
Europe	2,772,617	3,202,708
Middle East and Africa	892,701	1,275,202
Asia Pacific	544,344	366,815
China	356,412	1,160,203
Total	10,931,795	13,226,923

The revenue information above is based on the locations of the customers.

(b) Non-current assets

As the majority of the Group's non-current assets and capital expenditure were located/incurred in China, no related geographical information of non-current assets is presented.

Interim Results

3. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of mobile phones and other products sold and services rendered during the period, after allowances for returns and trade discounts.

An analysis of revenue, other income and gains is as follows:

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue		
Sale of mobile phones, other products and rendering of services	10,931,795	13,226,923
Other income and gains		
Bank interest income	15,722	40,246
Gross rental income	9,788	5,777
Subsidy income*	55,671	49,932
Value-added-tax ("VAT") refunds**	168,734	126,317
Processing income	-	3,947
Exchange gain, net	210,894	131,281
Dividend income from available-for-sale investments	3,421	731
Others	26,399	23,415
	490,629	381,646

* Subsidy income mainly represents various government grants received by the Group in the PRC. In the opinion of the management, there are no unfulfilled conditions or contingencies relating to these grants.

** During the six months ended 30 June 2016 and 2015, several subsidiaries of the Company in the PRC, being designated as software enterprises, were entitled to VAT refunds at the effective VAT rates in excess of 3% after the payment of statutory net output VAT of 17%.

Interim Results

4. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2016	2015
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Interest on loans	50,471	59,015
Interest on discounted notes and factored trade receivables	7,614	9,820
	58,085	68,835

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2016	2015
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Cost of inventories sold	8,704,526	10,672,255
Depreciation of property, plant and equipment	133,116	121,816
Depreciation of investment properties	1,650	969
Recognition of prepaid land lease payments	937	1,048
Amortisation of computer software, intellectual property and ALCATEL brand licence	28,529	36,083
Research and development costs:		
Deferred expenditure amortised	626,115	615,243
Current period expenditure	152,065	197,501
	778,180	812,744
Minimum lease payments under operating leases	80,559	67,238
Impairment of trade receivables recognised/(reversed)	38,173	(1,076)
Impairment of other receivables	5,813	-
Net loss/(gain) on disposal of items of property, plant and equipment	559	(2,202)
Loss on deemed disposal of investment in a subsidiary	6,729	-

Interim Results

6. INCOME TAX EXPENSE

The Group calculates income tax of the period using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax in the interim consolidated statement of profit or loss of the period are:

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<hr/>		
Current		
Charge for the period:		
PRC	9,631	8,904
France	3,894	9,342
Russia	1,772	2,168
Italy	1,703	35
The United States	21	69
Mexico	109	–
Korea	623	–
Overprovision in prior years	(2,138)	(3,471)
	<hr/>	
	15,615	17,047
Deferred	(13,530)	(3,329)
	<hr/>	
Tax charge for the period	2,085	13,718
	<hr/>	

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

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,268,646,378 (six months ended 30 June 2015: 1,237,628,651) in issue during the period.

The calculation of the diluted earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the weighted average number of ordinary shares in issue during the period, 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 the dilutive potential ordinary shares into ordinary shares.

Interim Results

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (continued)

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

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<hr/>		
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	22,360	452,667
	<hr/>	
	Number of shares For the six months ended 30 June	
	2016	2015
	<hr/>	
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	1,268,646,378	1,237,628,651
Effect of dilution – weighted average number of ordinary shares:		
Share options	9,677,321	18,459,817
Awarded shares	5,296,933	874,533
	<hr/>	
	14,974,254	19,334,350
	<hr/>	
	1,283,620,632	1,256,963,001
	<hr/>	

Interim Results

8. TRADE RECEIVABLES

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

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Within 3 months	4,197,088	5,025,842
4 to 12 months	867,128	792,822
Over 12 months	102,696	63,155
	5,166,912	5,881,819
Impairment	(85,293)	(57,613)
	5,081,619	5,824,206

The Group's trading terms with its customers are mainly on credit. The credit period is generally 30 to 180 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. 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.

Interim Results

9. PLEDGED DEPOSITS, CASH AND CASH EQUIVALENTS

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Cash and bank balances	586,645	565,707
Pledged deposits	695,883	1,028,340
	1,282,528	1,594,047
Less: Pledged deposits		
- for factored trade receivables	31,110	32,625
- for interest-bearing bank borrowings, banking facilities and other financial instruments	664,773	995,715
Cash and cash equivalents	586,645	565,707

As at 30 June 2016, the cash and bank balances and pledged deposits of the Group denominated in Renminbi ("RMB") amounted to HK\$959,498,000 (31 December 2015: HK\$1,190,007,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks and financial institution with no recent history of default.

Included in the Group's cash and bank balances and pledged deposits are deposits of HK\$481,550,000 (31 December 2015: HK\$466,340,000) placed with TCL Finance Co., Ltd., a fellow subsidiary of the Company, which is a financial institution approved by the People's Bank of China. The effective interest rate for these deposits was 0.15% - 3.12% (2015: 0.15% - 3.12%) per annum, being the savings rate offered by the People's Bank of China.

Interim Results

10. INTEREST-BEARING BANK BORROWINGS

	30 June 2016		31 December 2015	
	Maturity (Year)	HK\$'000 (Unaudited)	Maturity (Year)	HK\$'000 (Audited)
Current				
Bank borrowings – unsecured	2016	677,161	2016	1,325,871
Bank borrowings – secured*	2016-2017	1,626,110	2016	1,477,342
		2,303,271		2,803,213
Non-current				
Bank borrowing – secured*	2017-2018	155,172	2018	178,268
		2,458,443		2,981,481
			30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Analysed into:				
Within one year or on demand		2,303,271		2,803,213
In the second year		155,172		-
In the third to fifth years, inclusive		-		178,268
		2,458,443		2,981,481

* The Group's secured interest-bearing bank borrowings are bank advance comprising: (i) bank borrowings of HK\$387,930,000 (31 December 2015: HK\$469,656,000) which are secured by the pledge of certain of the Group's time deposits amounting to HK\$442,014,000 (31 December 2015: HK\$651,839,000); (ii) bank borrowings of HK\$1,393,352,000 (31 December 2015: HK\$1,185,954,000) which are guaranteed by TCL Corporation (the ultimate holding company of the Company) (note 17(b)).

Interim Results

10. INTEREST-BEARING BANK BORROWINGS (continued)

The effective contractual interest rates for the interest-bearing bank borrowings ranged from 0.01% to 3.00% (2015: 0.73% to 15.76%) per annum.

As at 30 June 2016, the Group's interest-bearing bank borrowings of HK\$9,351,000 and HK\$8,932,000 were denominated in Euro and Canadian dollars, respectively, and the others were denominated in United States dollars.

As at 31 December 2015, the Group's interest-bearing bank borrowings of HK\$469,656,000 and HK\$22,699,000 were denominated in Brazilian real and Canadian dollars, respectively, and the others were denominated in United States dollars.

11. TRADE AND NOTES PAYABLES

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

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Within 6 months	4,766,063	4,732,916
7 to 12 months	11,936	23,730
Over 12 months	42,204	33,260
	4,820,203	4,789,906

Trade payables are non-interest-bearing and have an average term of 90 days.

Interim Results

12. SHARE CAPITAL

	Number of shares in issue	Issued share capital HK\$'000	Share premium account HK\$'000
Authorised:			
Ordinary shares of par value HK\$1 each at 1 January 2015, 31 December 2015, 1 January 2016 and 30 June 2016	2,000,000,000	2,000,000	
Issued and fully paid or credited as fully paid:			
As at 1 January 2015	1,220,766,408	1,220,766	630,976
Exercise of share options	37,867,818	37,869	157,675
Vesting of awarded shares	9,164,290	9,164	23,981
Reclassification of lapsed share options	-	-	165
Final 2014 dividend	-	-	(91,467)
Interim 2015 dividend	-	-	(161,218)
As at 31 December 2015 and 1 January 2016	1,267,798,516	1,267,799	560,112
Exercise of share options*	7,331,071	7,331	29,889
Vesting of awarded shares**	415,495	415	1,960
Reclassification of lapsed share options	-	-	679
As at 30 June 2016	1,275,545,082	1,275,545	592,640

* During the six months ended 30 June 2016, 7,331,071 share options were exercised at subscription prices ranging from HK\$2.74 to HK\$5.80 per share, resulting in the issue of 7,331,071 ordinary shares of par value HK\$1 each for a total cash consideration of approximately HK\$26,791,000.

** During the six months ended 30 June 2016, under the share award scheme of the Company, 415,495 ordinary shares of par value HK\$1 each were issued at no consideration.

Interim Results

13. SHARE OPTION SCHEMES

The Company has adopted two share option schemes (collectively the "Share Options Schemes") 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 Schemes include employees (including executive directors, non-executive directors and independent non-executive directors), advisers, consultants, agents, contractors, clients, suppliers and any other person(s) whom the Board (for the purpose of the two Share Option Schemes include a duly authorised committee of the Board), in its sole discretion, considers has contributed or may contribute to the Group (collectively referred to as the "Participants"). The old share option scheme (the "Old Share Option Scheme"), which was adopted and became effective on 13 September 2004, expired on 12 September 2014. In order to enable the Group to continuously grant share options to Participants, the directors of the Company (the "Director(s)") recommended to the shareholders at the annual general meeting of the Company (the "AGM") held on 28 April 2014 to adopt the new share option scheme (the "New Share Option Scheme") and to simultaneously terminate the operation of the Old Share Option Scheme in advance, such termination being effective from the conclusion of the AGM held on 28 April 2014. On 28 April 2014, the adoption of the New Share Option Scheme and termination of Old Share Option Scheme were both approved by the shareholders of the Company. The share options granted under the Old Share Option Scheme prior to its termination would continue to be valid and exercisable in accordance with the rules of the Old Share Option Scheme. The New Share Option Scheme will remain in force for the period of 10 years commencing from 28 April 2014. On 5 June 2016, the Board resolved to make amendments to the rules of the Old Share Option Scheme and the New Share Option Scheme, to the effect that (A) if a general offer (whether by way of takeover offer, share repurchase offer or scheme of arrangement or otherwise in like manner) is made to all the holders of the shares of the Company (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, and (i) in case of a scheme of arrangement, if the arrangement is formally proposed to the holders of the Shares or (ii) in any other case, if such offer becomes or is declared unconditional prior to the expiry of the share options, the grantee shall be entitled to exercise his share options (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to the Company in exercise of his share options at any time thereafter and up to (i) in case of a scheme of arrangement, 3:00 p.m. (Hong Kong time) of the record date for entitlements under such scheme of arrangement or (ii) in any other case, the close of such offer (or any revised offer), but not to exercise any of his share options thereafter; and subject to the above, an share options will lapse automatically (to the extent not exercised) on the date on which (i) in case of a scheme of arrangement, the offer extended to all grantees in relation to the share options arising from such scheme of arrangement becoming effective closed or (ii) in any other case, such offer (or any revised offer) closed; (B) for the New Share Options Scheme, the rules governing automatic lapse of share options be extended to all not already exercised (as opposed to those exercisable before amendment). Such amendments have been approved by holders of outstanding share options in writing and the shareholders at the extraordinary general meeting of the Company dated 9 August 2016 in the manner as required under the rules of the Share Options Schemes.

Interim Results

13. SHARE OPTION SCHEMES (continued)

The maximum number of unexercised Share Options currently permitted to be granted under the New Share Option Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company (the "Shares") in issue as at 28 April 2014 (i.e., up to 119,166,767 Shares). The maximum number of Shares issuable under share options granted to each eligible participant in the New Share Option Scheme within any 12-month period up to and including the date of such grant is limited to 1% of the Shares in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to Directors, chief executive or substantial shareholder of the Company, or to any of their respective associates, are subject to approval in advance by an independent non-executive Directors. In addition, any share options granted to a substantial shareholder or an independent non-executive Director, or to any of their respective associates, in excess of 0.1% of the Shares in issue at any time and with an aggregate value (based on the closing price of the Shares at the date of grant) in excess of HK\$5 million, within any 12-month period up to and including the date of such grant, are subject to shareholders' approval in advance in a general meeting.

The exercise price of the share options is determinable by the Directors, but may not be less than the highest of (i) closing price of the Shares as stated in the daily quotation sheets of On The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of grant of the share options, (ii) the average closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange for the five trading days immediately preceding the date of grant and (iii) the nominal value of the Share.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings of the Company.

There is no minimum period which the share options must be held before it can be exercised. The Board may in its absolute discretion determine the period within which the share options must be exercised, save that such period shall not be more than 10 years from the date of grant of the share options.

The total numbers of the Shares 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 2015 and 30 June 2016 were 153,099,299 Shares and 144,763,961 Shares, respectively, which represented about 12.08% and 11.35% of the issued Shares as at 31 December 2015 and 30 June 2016, respectively.

Interim Results

13. SHARE OPTION SCHEMES (continued)

As at 30 June 2016, the Company had a total of 37,420,226 share options outstanding under the Share Options Schemes. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 37,420,226 additional ordinary Shares of the Company. Total funds raised from exercise of the outstanding share options would be approximately HK\$183,682,000 which represents additional share capital of approximately HK\$37,420,000 and share premium of approximately HK\$146,262,000 (before issue expenses). No share options were cancelled during the reporting period ended 30 June 2016.

At the date of approval of these financial statements, the Company has 34,574,639 share options outstanding under the Share Options Schemes, which represented approximately 2.70% of the Company's Shares in issue as at that date.

Further details of the Share Options Schemes are as followings:

13.1 As at 30 June 2016, the following share options were outstanding under the Share Option Schemes of the Company during the reporting period:

Date of grant	Number of share options				At 30 June 2016	Exercise period (both dates inclusive) <i>(Note a)</i>	Exercise price per Share <i>(HK\$)</i>
	At 1 January 2016	Granted during the period	Exercised during the period	Lapsed/ Expired during the period			
11 March 2010	435,334	-	(161,334)	(274,000)	-	11 December 2010 to 10 March 2016	3.020
25 May 2010	578,100	-	(578,100)	-	-	25 February 2011 to 24 May 2016	3.462
3 May 2011	5,864,764	-	-	-	5,864,764	3 February 2012 to 2 May 2017	7.614
9 August 2011	383,800	-	-	-	383,800	9 May 2012 to 8 August 2017	6.472
4 June 2012	8,817,010	-	(1,371,670)	-	7,445,340	4 March 2013 to 3 June 2018	2.740
12 July 2013	17,859,686	-	(4,841,342)	-	13,018,344	12 April 2014 to 11 July 2019	3.790
21 May 2015	1,987,576	-	-	(173,646)	1,813,930	31 December 2015 to 20 May 2021	8.390
3 November 2015	9,829,294	-	(378,625)	(556,621)	8,894,048	31 December 2015 to 2 November 2021	5.800
Total	45,755,564	-	(7,331,071)	(1,004,267)	37,420,226		

Interim Results

13. SHARE OPTION SCHEMES (continued)

13.2 As at 30 June 2016, the outstanding share options granted to the Participants are as follows:

	Number of share options					At 30 June 2016	Date of grant	Exercise period (both dates inclusive) (Note a)	Exercise price per Share (HK\$)
	At 1 January 2016	Granted during the period	Exercised during the period	Lapsed/ expired during the period	Re- classified				
Executive Directors									
Mr. LI Dongsheng	1,547,368	-	-	-	-	1,547,368	3 May 2011	3 February 2012 to 2 May 2017	7.614
	840,000	-	-	-	-	840,000	12 July 2013	12 April 2014 to 11 July 2019	3.790
	480,608	-	-	-	-	480,608	21 May 2015	31 December 2015 to 20 May 2021	8.390
	199,241	-	-	-	-	199,241	3 November 2015	31 December 2015 to 2 November 2021	5.800
	3,067,217	-	-	-	-	3,067,217			
Mr. GUO Aiping	3,094,737	-	-	-	-	3,094,737	3 May 2011	3 February 2012 to 2 May 2017	7.614
	3,970,091	-	-	-	-	3,970,091	4 June 2012	4 March 2013 to 3 June 2018	2.740
	1,680,000	-	-	-	-	1,680,000	12 July 2013	12 April 2014 to 11 July 2019	3.790
	686,800	-	-	-	-	686,800	21 May 2015	31 December 2015 to 20 May 2021	8.390
	333,257	-	-	-	-	333,257	3 November 2015	31 December 2015 to 2 November 2021	5.800
9,764,885	-	-	-	-	9,764,885				
Mr. WANG Jiyang (note c)	260,469	-	-	-	(260,469)	-	21 May 2015	31 December 2015 to 20 May 2021	8.390
	126,388	-	-	-	(126,388)	-	3 November 2015	31 December 2015 to 2 November 2021	5.800
	386,857	-	-	-	(386,857)	-			
Mr. Nicolas Daniel Bernard ZIBELL	2,000	-	-	(2,000)	-	-	11 March 2010	11 December 2010 to 10 March 2016	3.020
	441,000	-	-	-	-	441,000	12 July 2013	12 April 2014 to 11 July 2019	3.790
	443,000	-	-	(2,000)	-	441,000			

Interim Results

13. SHARE OPTION SCHEMES (continued)

13.2 As at 30 June 2016, the outstanding share options granted to the Participants are as follows: (continued)

	Number of share options					At 30 June 2016	Date of grant	Exercise period (both dates inclusive) (Note a)	Exercise price per Share (HK\$)
	At 1 January 2016	Granted during the period	Exercised during the period	Lapsed/ expired during the period	Re- classified				
Non-executive Directors									
Mr. HUANG Xubin	806,035	-	-	-	-	806,035	4 June 2012	4 March 2013 to 3 June 2018	2,740
	210,000	-	-	-	-	210,000	12 July 2013	12 April 2014 to 11 July 2019	3,790
	121,230	-	-	-	-	121,230	21 May 2015	31 December 2015 to 20 May 2021	8,390
	28,816	-	-	-	-	28,816	3 November 2015	31 December 2015 to 2 November 2021	5,800
	1,166,081	-	-	-	-	1,166,081			
Mr. LIAO Qian	32,601	-	-	-	-	32,601	21 May 2015	31 December 2015 to 20 May 2021	8,390
	7,749	-	-	-	-	7,749	3 November 2015	31 December 2015 to 2 November 2021	5,800
	40,350	-	-	-	-	40,350			

Interim Results

13. SHARE OPTION SCHEMES (continued)

13.2 As at 30 June 2016, the outstanding share options granted to the Participants are as follows: (continued)

	Number of share options					At 30 June 2016	Date of grant	Exercise period (both dates inclusive) (Note a)	Exercise price per Share (HK\$)
	At 1 January 2016	Granted during the period	Exercised during the period	Lapsed/ expired during the period	Re- classified				
Independent non-executive Directors									
Mr. LAU Siu Ki	300,000	-	(300,000)	-	-	-	25 May 2010	25 February 2011 to 24 May 2016	3,462
	200,000	-	-	-	-	200,000	4 June 2012	4 March 2013 to 3 June 2018	2,740
	17,045	-	-	-	-	17,045	21 May 2015	31 December 2015 to 20 May 2021	8,390
	8,271	-	-	-	-	8,271	3 November 2015	31 December 2015 to 2 November 2021	5,800
	<u>525,316</u>	<u>-</u>	<u>(300,000)</u>	<u>-</u>	<u>-</u>	<u>225,316</u>			
Mr. LOOK Andrew	17,045	-	-	-	-	17,045	21 May 2015	31 December 2015 to 20 May 2021	8,390
	8,271	-	-	-	-	8,271	3 November 2015	31 December 2015 to 2 November 2021	5,800
	<u>25,316</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,316</u>			
Mr. KWOK Hoi Sing	300,000	-	-	-	-	300,000	9 August 2011	9 May 2012 to 8 August 2017	6,472
	200,000	-	-	-	-	200,000	4 June 2012	4 March 2013 to 3 June 2018	2,740
	17,045	-	-	-	-	17,045	21 May 2015	31 December 2015 to 20 May 2021	8,390
	8,271	-	-	-	-	8,271	3 November 2015	31 December 2015 to 2 November 2021	5,800
	<u>525,316</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>525,316</u>			
Associate(s) of Director(s)									
CHIKAWA Yuki (Spouse of Mr. Li Dongsheng)	51,937	-	-	-	-	51,937	21 May 2015	31 December 2015 to 20 May 2021	8,390
	12,346	-	-	-	-	12,346	3 November 2015	31 December 2015 to 2 November 2021	5,800
	<u>64,283</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>64,283</u>			

Interim Results

13. SHARE OPTION SCHEMES (continued)

13.2 As at 30 June 2016, the outstanding share options granted to the Participants are as follows: (continued)

	Number of share options					At 30 June 2016	Date of grant	Exercise period (both dates inclusive) (Note a)	Exercise price per Share (HK\$)
	At 1 January 2016	Granted during the period	Exercised during the period	Lapsed/ expired during the period	Re- classified				
Directors	2,000	-	-	(2,000)	-	-	11 March 2010	11 December 2010 to 10 March 2016	3.020
(included their associates)	300,000	-	(300,000)	-	-	-	25 May 2010	25 February 2011 to 24 May 2016	3.462
	4,642,105	-	-	-	-	4,642,105	3 May 2011	3 February 2012 to 2 May 2017	7.614
	300,000	-	-	-	-	300,000	9 August 2011	9 May 2012 to 8 August 2017	6.472
	5,176,126	-	-	-	-	5,176,126	4 June 2012	4 March 2013 to 3 June 2018	2.740
	3,171,000	-	-	-	-	3,171,000	12 July 2013	12 April 2014 to 11 July 2019	3.790
	1,684,780	-	-	-	(260,469)	1,424,311	21 May 2015	31 December 2015 to 20 May 2021	8.390
	732,610	-	-	-	(126,388)	606,222	3 November 2015	31 December 2015 to 2 November 2021	5.800
Sub-total	16,008,621	-	(300,000)	(2,000)	(386,857)	15,319,764			
Participants	433,334	-	(161,334)	(272,000)	-	-	11 March 2010	11 December 2010 to 10 March 2016	3.020
(excluded directors and their associates)	278,100	-	(278,100)	-	-	-	25 May 2010	25 February 2011 to 24 May 2016	3.462
	1,222,659	-	-	-	-	1,222,659	3 May 2011	3 February 2012 to 2 May 2017	7.614
	83,800	-	-	-	-	83,800	9 August 2011	9 May 2012 to 8 August 2017	6.472
	3,640,884	-	(1,371,670)	-	-	2,269,214	4 June 2012	4 March 2013 to 3 June 2018	2.740
	14,688,686	-	(4,841,342)	-	-	9,847,344	12 July 2013	12 April 2014 to 11 July 2019	3.790
	302,796	-	-	(173,646)	260,469	389,619	21 May 2015	31 December 2015 to 20 May 2021	8.390
	9,096,684	-	(378,625)	(556,621)	126,388	8,287,826	3 November 2015	31 December 2015 to 2 November 2021	5.800
Sub-Total	29,746,943	-	(7,031,071)	(1,002,267)	386,857	22,100,462			
Total	45,755,564	-	(7,331,071)	(1,004,267)	-	37,420,226			

Interim Results

13. SHARE OPTION SCHEMES (continued)

Notes:

- a. During the reporting period, the following share options were effective under the Share Option Schemes of the Company:

	Date of Grant	Exercise Price Per Share (HK\$)	Exercise Period	Remark
(i)	11 March 2010	3.020	11 December 2010 to 10 March 2016; one-third of these share options are exercisable after the expiry of 9 months from the date of grant, a further one-third are exercisable after the expiry of 18 months from the date of grant, and the remaining one-third are exercisable after the expiry of 27 months from the date of grant.	On 10 March 2016, all the said share options expired.
(ii)	25 May 2010	3.462	25 February 2011 to 24 May 2016; one-third of these share options are exercisable after the expiry of 9 months from the date of grant, a further one-third are exercisable after the expiry of 18 months from the date of grant, and the remaining one-third are exercisable after the expiry of 27 months from the date of grant.	On 24 May 2016, all the said share options expired.
(iii)	3 May 2011	7.614	3 February 2012 to 2 May 2017; one-third of the said share options are exercisable after the expiry of 9 months from the date of grant, a further one-third are exercisable after the expiry of 18 months from the date of grant, and the remaining one-third are exercisable after the expiry of 27 months from the date of grant.	N/A
(iv)	9 August 2011	6.472	9 May 2012 to 8 August 2017; one-third of the said share options are exercisable after the expiry of 9 months from the date of grant, a further one-third are exercisable after the expiry of 18 months from the date of grant, and the remaining one-third are exercisable after the expiry of 27 months from the date of grant.	N/A

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13. SHARE OPTION SCHEMES (continued)

Notes: (continued)

- a. During the reporting period, the following share options were effective under the Share Option Schemes of the Company: (continued)

	Date of Grant	Exercise Price Per Share (HK\$)	Exercise Period	Remark
(v)	4 June 2012	2.740	4 March 2013 to 3 June 2018; one-third of these share options are exercisable after the expiry of 9 months from the date of grant, a further one-third are exercisable after the expiry of 18 months from the date of grant, and the remaining one-third are exercisable after the expiry of 27 months from the date of grant.	A maximum of 75,000,000 share options under the Old Share Option Scheme were offered by the Company, where the grantees have an option to choose from share options, awarded shares or a combination of both (if appropriate). A total of 49,000,000 share options were granted to and accepted by the grantees, among which a total of 24,220,134 share options were granted to the Directors of the Company. Further details of the said share options were set out in the announcement of the Company dated 4 June 2012.
(vi)	12 July 2013	3.790	12 April 2014 to 11 July 2019; one-third of these share options are exercisable after the expiry of 9 months from the date of grant, a further one-third are exercisable after the expiry of 18 months from the date of grant, and the remaining one-third are exercisable after the expiry of 27 months from the date of grant.	A maximum of 48,503,700 share options under the Old Share Option Scheme were offered by the Company, subject to acceptance of the grantees. A total of 42,286,000 share options were granted to and accepted by the grantees, among which a total of 4,830,000 share options were granted to the Directors of the Company. Further details of the said share options were set out in the announcement of the Company dated 12 July 2013.
(vii)	21 May 2015	8.390	31 December 2015 to 20 May 2021: one third of these share options are exercisable from 31 December 2015; a further one-third are exercisable from 31 December 2016, and the remaining one-third are exercisable from 31 December 2017.	A maximum of 17,000,000 share options under the New Share Option Scheme were offered by the Company, where the grantees were offered share options and awarded shares in a combination of both, subject to the acceptance of the grantees. A total of 1,987,576 share options were granted to and accepted by the grantees, among which a total of 1,877,801 share options were granted to the Directors and their associates. Further details of the said share options were set out in the announcements of the Company dated 21 May 2015, 26 May 2015 and 15 July 2015 respectively.

Interim Results

13. SHARE OPTION SCHEMES (continued)

Notes: (continued)

- a. During the reporting period, the following share options were effective under the Share Option Schemes of the Company: (continued)

	Date of Grant	Exercise Price Per Share (HK\$)	Exercise Period	Remark
(viii)	3 November 2015	5.800	31 December 2015 to 2 November 2021:	A maximum of 13,000,000 share options under the New Share Option Scheme were offered by the Company, subject to the acceptance of the grantees. A total of 9,835,456 share options were granted to and accepted by the grantees, among which a total of 732,610 share options were granted to the Directors and their associates. Further details of the said share options were set out in the announcement of the Company dated 3 November 2015.

- b. The weighted average share price at the date of exercise for share options exercised during the reporting period was HK\$6.10 (year ended 31 December 2015: HK\$7.94) per share.
- c. Mr. WANG Jiyang retired on 18 May 2016 as an executive Director.

Interim Results

14. SHARE AWARD SCHEME

Share Award Scheme A (the "Share Award Scheme A") adopted by the Company on 3 July 2007 was terminated on 23 October 2009, and the Board on 11 March 2008 resolved to adopt another share award scheme (the "Share Award Scheme B") (collectively referred to as the "Share Award Schemes"). Share Award Scheme B aims at providing incentives to employees and to retain and encourage employees to contribute to the continual operation and development of the Group, pursuant to which existing Shares will be purchased by the trustee from the market out of cash contributed by the Group and be held in the share award scheme trust for the relevant selected employees until such Shares are vested with the relevant selected employees in accordance with the provisions of Share Award Scheme B. On 17 March 2011, Share Award Scheme B was amended by the Company, pursuant to which, as an alternative to purchase of Shares on the market for any awards made under Share Award Scheme B, the Board (for the purpose of Share Award Scheme B, include such committee or such sub-committee or person(s) delegated with power and authority by the Board to administer Share Award Scheme B) may allot and issue Shares as awarded shares of the Company (the "Awarded Shares") and has the discretion to decide whether the Awarded Shares are to be existing Shares or new Shares. On 21 May 2015, Share Award Scheme B was further amended by the Company, pursuant to which, the scope of its eligible participants was broadened from employees to include not only employees (including executive directors, non-executive director and independent non-executive director) but also advisers, consultants, agents, contractors, clients or suppliers of any member of the Group or any other person whom the Board in its sole discretion considers may contribute or have contributed to the Group (the "May expanded Scope of Participants"). Subsequently, the Board proposed to further amend Share Award Scheme B, to revise the May Expanded Scope of Participants to employees (including executive directors, non-executive directors and independent non-executive directors), advisers, consultants, agents, contractors, clients or suppliers of any member of the Group and employees or officers of any affiliated company whom the Board in its sole discretion considers may contribute or have contributed to the Group (the "New Expanded Scope of Participants"), which has been approved by shareholders in the extraordinary general meeting of the Company dated 24 December 2015. On 5 June 2016, the Board resolved that subject to compliance with the rules of the Share Award Scheme B and the Listing Rules, Share Award Scheme B should be amended, so that the date(s) on which a New Expanded Scope of Participants' entitlement to the Awarded Shares is vested in accordance with the conditions as imposed by the Board under the Share Award Scheme B or is deemed to have vested under Share Award Scheme B of the Awarded Shares would be accelerated to the date on which a general or partial offer made to all the holders of the Shares became unconditional and that the trustee of the Company would be able to hold on trust the cash for the offer to acquire or cancel all Awarded Shares for the New Expanded Scope of Participants and pay the New Expanded Scope of Participants such amount of cash by reference to the number of Awarded Shares attributable to them; such amendments has been approved by holders of unvested Awarded Shares at a meeting of such holders on 8 August 2016 and independent Shareholders in the extraordinary general meeting of the Company dated 9 August 2016.

Interim Results

14. SHARE AWARD SCHEME (continued)

The Company has appointed BOCI-Prudential Trustee Limited as the trustee of the Company for the administration of Share Award Schemes (the "Trustee"). 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 Awarded Shares held by the Trustee.

As at 30 June 2016, 58,625,153 further Awarded Shares might be granted to the New Expanded Scope of Participants of Share Award Scheme B, which represented about 4.60% of the issued Shares as at 30 June 2016.

The Trustee purchased 105,898,000 Shares at a total cost (including related transaction costs) of HK\$33,469,000 during the year ended 31 December 2008, and 15,778,000 Shares at a total cost (including related transaction costs) of HK\$71,256,000 during the year ended 31 December 2011, and 1,000,000 Shares at a total cost (including related transaction costs) of HK\$5,716,000 during the year ended 31 December 2015.

Under the Share Award Scheme B of the Company, Shares would be transferred to the employees by the Trustee or through allotment and issuance of Shares at nil consideration upon vesting. During the reporting period, a total of 698,827 Awarded Shares were vested, in which a total of 415,495 Awarded Shares were vested by way of new issuance of Shares and the remaining 283,332 Awarded Shares were vested by way of transfer of existing Shares purchased by the Trustee on the market under the Share Award Scheme B. The total cost of the related vested Shares was HK\$1,407,000. As at 30 June 2016, the carrying amount of Shares held for Share Award Scheme B was HK\$5,105,000 (30 June 2015: HK\$796,000).

Interim Results

14. SHARE AWARD SCHEME (continued)

14.1 As at 30 June 2016, the following Awarded Shares were outstanding under the Share Award Scheme B:

Date of grant	Number of Awarded Shares				At 30 June 2016	Latest vesting date (Note b)	Fair value per Share (HK\$)
	At 1 January 2016	Granted during the period	Vested during the period (Note a)	Lapsed during the period			
21 May 2015	583,023	-	-	(76,404)	506,619	31 December 2017	8.20
3 November 2015	5,647,631	-	-	(345,718)	5,301,913	31 December 2017	5.80
14 December 2015	896,336	-	-	(42,000)	854,336	31 December 2017	5.59
14 December 2015	966,500	-	(288,831)	(100,000)	577,669	3 August 2017	5.59
14 December 2015	330,000	-	(109,996)	-	220,004	1 November 2017	5.59
14 December 2015	600,000	-	-	-	600,000	3 December 2018	5.59
24 March 2016	-	300,000	(300,000)	-	-	N/A	5.18
Total	9,023,490	300,000	(698,827)	(564,122)	8,060,541		

Interim Results

14. SHARE AWARD SCHEME (continued)

14.2 As at 30 June 2016, the outstanding Awarded Shares of the New Expanded Scope of Participants are as follows:

	Number of Awarded Shares					At 30 June 2016	Date of grant	Latest vesting date(s) (Note b)	Fair value per Share (HK\$)
	At 1 January 2016	Granted during the period	Vested during the period (Note a)	Lapsed during the period	Re- classified				
Executive Directors									
Mr. LI Dongsheng	140,978	-	-	-	-	140,978	21 May 2015	31 December 2017	8.20
	53,617	-	-	-	-	53,617	3 November 2015	31 December 2017	5.80
	194,595	-	-	-	-	194,595			
Mr. GUO Aiping	201,461	-	-	-	-	201,461	21 May 2015	31 December 2017	8.20
	90,511	-	-	-	-	90,511	3 November 2015	31 December 2017	5.80
	291,972	-	-	-	-	291,972			
Mr. WANG Jiyang (Note c)	76,404	-	-	-	(76,404)	-	21 May 2015	31 December 2017	8.20
	34,327	-	-	-	(34,327)	-	3 November 2015	31 December 2017	5.80
	110,731	-	-	-	(110,731)	-			

Interim Results

14. SHARE AWARD SCHEME (continued)

14.2 As at 30 June 2016, the outstanding Awarded Shares of the New Expanded Scope of Participants are as follows: (continued)

	Number of Awarded Shares					At 30 June 2016	Date of grant	Latest vesting date(s) (Note b)	Fair value per Share (HK\$)
	At 1 January 2016	Granted during the period	Vested during the period (Note a)	Lapsed during the period	Re- classified				
Non-executive Directors									
Mr. HUANG Xubin	35,561	-	-	-	-	35,561	21 May 2015	31 December 2017	8.20
	7,387	-	-	-	-	7,387	3 November 2015	31 December 2017	5.80
	42,948	-	-	-	-	42,948			
Mr. LIAO Qian	9,563	-	-	-	-	9,563	21 May 2015	31 December 2017	8.20
	1,987	-	-	-	-	1,987	3 November 2015	31 December 2017	5.80
	11,550	-	-	-	-	11,550			

Interim Results

14. SHARE AWARD SCHEME (continued)

14.2 As at 30 June 2016, the outstanding Awarded Shares of the New Expanded Scope of Participants are as follows: (continued)

	Number of Awarded Shares					At 30 June 2016	Date of grant	Latest vesting date(s) (Note b)	Fair value per Share (HK\$)
	At 1 January 2016	Granted during the period	Vested during the period (Note a)	Lapsed during the period	Re- classified				
Independent non-executive Director									
Mr. LAU Siu Ki	5,000	-	-	-	-	5,000	21 May 2015	31 December 2017	8.20
	2,247	-	-	-	-	2,247	3 November 2015	31 December 2017	5.80
	7,247	-	-	-	-	7,247			
Mr. LOOK Andrew	5,000	-	-	-	-	5,000	21 May 2015	31 December 2017	8.20
	2,247	-	-	-	-	2,247	3 November 2015	31 December 2017	5.80
	7,247	-	-	-	-	7,247			
Mr. KWOK Hoi Sing	5,000	-	-	-	-	5,000	21 May 2015	31 December 2017	8.20
	2,247	-	-	-	-	2,247	3 November 2015	31 December 2017	5.80
	7,247	-	-	-	-	7,247			
Associate(s) of Director(s)									
ICHIKAWA Yuki (Spouse of Mr. LI Dongsheng)	15,253	-	-	-	-	15,253	21 May 2015	31 December 2017	8.20
	3,165	-	-	-	-	3,165	3 November 2015	31 December 2017	5.80
	18,400	-	-	-	-	18,400			
Sub-total	494,202	-	-	-	(76,404)	417,798	21 May 2015	31 December 2017	8.20
	197,735	-	-	-	(34,327)	163,408	3 November 2015	31 December 2017	5.80
	691,937	-	-	-	(110,731)	581,206			

Interim Results

14. SHARE AWARD SCHEME (continued)

14.2 As at 30 June 2016, the outstanding Awarded Shares of the New Expanded Scope of Participants are as follows: (continued)

	Number of Awarded Shares					At 30 June 2016	Date of grant	Latest vesting dates (Note b)	Fair value per Share (HK\$)
	At 1 January 2016	Granted during the period	Vested during the period (Note a)	Lapsed during the period	Re- classified				
New Expanded Scope of Participants	88,821	-	-	(76,404)	76,404	88,821	21 May 2015	31 December 2017	8.20
	5,449,896	-	-	(345,718)	34,327	5,138,505	3 November 2015	31 December 2017	5.80
(excluded Director and their associates)	896,336	-	-	(42,000)	-	854,336	14 December 2015	31 December 2017	5.59
	966,500	-	(288,831)	(100,000)	-	577,669	14 December 2015	3 August 2017	5.59
	330,000	-	(109,996)	-	-	220,004	14 December 2015	1 November 2017	5.59
	600,000	-	-	-	-	600,000	14 December 2015	3 December 2018	5.59
	-	300,000	(300,000)	-	-	-	24 March 2016	N/A	5.18
Sub-total	8,331,553	300,000	(698,827)	(564,122)	110,731	7,479,335			
Total	9,023,490	300,000	(698,827)	(564,122)	-	8,060,541			

Interim Results

14. SHARE AWARD SCHEME (continued)

Notes:

- a. During the reporting period under review, a total of 698,827 Awarded Shares were vested, in which a total of 415,495 Awarded Shares were vested by way of new issuance of Shares and the remaining a total of 283,332 Awarded Shares were vested by way of transfer of existing Shares purchased by the Trustee on the market.
- b. During the reporting period under review, the following Awarded Shares were effective under the Share Award Scheme B of the Company:

Date of grant	Number of Awarded Shares granted	Vesting period	Remark
21 May 2015	A maximum of 16,000,000 Awarded Shares offered by the Company to be awarded to selected employees, among which a total of 874,533 Awarded Shares were accepted by the awardees.	21 May 2015 to 31 December 2017; one-third of these Awarded Shares have been vested on 31 December 2015, a further one-third will be vested on 31 December 2016, and the remaining one-third will be vested on 31 December 2017.	Further details of the said Awarded Shares were set out in the announcements of the Company dated 21 May 2015, 26 May 2015, 15 July 2015, 3 November 2015 and 24 December 2015, and circular dated 9 December 2015 respectively.
3 November 2015	A maximum of 8,726,805 Awarded Shares offered by the Company to be awarded to the New Expanded Scope of Participants, among which a total of 8,640,235 Awarded Shares were accepted by the awardees.	3 November 2015 to 31 December 2017; one-third of these Awarded Shares have been vested on 31 December 2015, a further one-third will be vested on 31 December 2016, and the remaining one-third will be vested on 31 December 2017.	Further details of the said Awarded Shares were set out in the announcements of the Company dated 3 November 2015 and 24 December 2015, and circular dated 9 December 2015 respectively.

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14. SHARE AWARD SCHEME (continued)

Notes: (continued)

- b. During the reporting period under review, the following Awarded Shares were effective under the Share Award Scheme B of the Company: (continued)

Date of grant	Number of Awarded Shares granted	Vesting period	Remark
14 December 2015	A maximum of 3,441,000 Awarded Shares offered by the Company to be awarded to the New Expanded Scope of Participants, among which a total of 3,241,000 Awarded Shares were accepted by the awardees.	<p>14 December 2015 to 31 December 2017 for 1,344,500 Awarded Shares; one-third of these Awarded Shares have been vested on 31 December 2015, a further one-third will be vested on 31 December 2016, and the remaining one-third will be vested on 31 December 2017.</p> <p>14 December 2015 to 3 August 2017 for 966,500 Awarded Shares; one-third of these Awarded Shares have been vested on 3 February 2016, a further one-third will be vested on 3 November 2016, and the remaining one-third will be vested on 3 August 2017.</p> <p>14 December 2015 to 1 November 2017 for 330,000 Awarded Shares; one-third of these Awarded Shares have been vested on 1 May 2016, a further one-third will be vested on 1 February 2017, and the remaining one-third will be vested on 1 November 2017.</p> <p>14 December 2015 to 3 December 2018 for 600,000 Awarded Shares; one-third of these Awarded Shares will be vested on 3 December 2016, a further one-third will be vested on 3 December 2017, and the remaining one-third will be vested on 3 December 2018.</p>	The said Awarded Shares were further approved by the Scheme Board to grant to New Expanded Scope of Participants.
24 March 2016	300,000 Awarded Shares offered by the Company to be awarded to a select employee and were accepted by the awardees.	24 March 2016: the 300,000 Awarded Shares were granted and vested immediately on the same day.	The said Awarded Shares were further approved by the Scheme Board to grant to New Expanded Scope of Participants.

- c. Mr. WANG Jiyang retired on 18 May 2016 as an executive Director.

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15. CONTINGENT LIABILITIES

As at the end of the reporting period, the Group had no significant contingent liabilities (31 December 2015: Nil).

16. CAPITAL COMMITMENTS

The capital commitments of the Group were as follows:

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
<hr/>		
Contracted, but not provided for:		
Property, plant and equipment	-	4,528
Capital contributions payable to an associate	77,586	77,508
Capital contributions payable to a joint venture	14,040	28,646
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	91,626	110,682
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Interim Results

17. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the period:

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Transactions with the ultimate holding company:		
TCL brand management fee *	-	1,071
Purchases of raw materials**	-	773
Administration fee for purchases of raw materials**	-	3
Technology service expenses	566	606
Rental charges**	1,458	1,579
Interest income	-	1
Research and development expenses**	23,191	26,962
Purchases of products**	3	53
Service expenses**	473	5
Transactions with fellow subsidiaries:		
Purchases of raw materials**	534,814	671,229
Administration fee for purchases of raw materials**	1	1,805
Interest income	7,910	5,652
Rental charges**	19,601	24,861
Fees and commission	21	462
Sales of raw materials**	2,567	2,474
Sales of products and spare parts**	239,032	49,183
Purchases of products**	2,042	1,496
Service expenses**	201	4,509
Rental income**	8,747	4,766
Loans obtained***	250,384	-
Interest expenses***	66	-
Service income**	1,941	278
Purchases of property, plant and equipment**	-	323
Transactions with joint ventures:		
Service expenses**	42	-
Sales of products**	4,924	-

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17. RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties (continued)

- * TCL brand management fee was charged on certain percentage of sales of products with “TCL” brand. The percentage was mutually agreed between the contracting parties.
- ** The sales, purchases, administration fee for purchases of raw materials, leasehold transactions, research and development expenses, service expenses and service income with the related parties were made according to prices mutually agreed between the two parties after arm’s length negotiations on normal commercial terms or on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties.
- *** The loans obtained from a fellow subsidiary were unsecured, interest-bearing with an effective contractual interest rate of 1% to 5% per annum and with a payment term of less than one year (2015: Nil).

(b) Other transactions with related parties

The Company’s ultimate holding company has guaranteed certain bank loans made to the Group of up to HK\$1,393,352,000 (31 December 2015: HK\$1,185,954,000) (note 10) as at the end of the reporting period.

(c) Commitments with related parties

- i. On 26 June 2013, a strategic cooperation framework agreement was entered into between the Company and TCL Corporation which was effective from 1 July 2013 to 31 December 2015, pursuant to which TCL Corporation shall provide research and development service to the Company. On 24 December 2015, the Company and TCL Corporation have entered into the R&D fund framework (renewal 2015) agreement (“the renewal agreements”) to continue the relevant continuing connected transactions, which is effective from 1 January 2016 to 31 December 2018. The total amount of research and development service fees under the renewal agreement in future is estimated not to exceed HK\$437,000,000. During the period, the amount of research and development service fees under the renewal agreement was RMB19,516,000 (equivalent to HK\$23,191,000). The service fees are determined on normal commercial terms and are reached after arm’s length negotiation.
- ii. On 9 October 2014, Best Status Enterprises Limited (a wholly-owned subsidiary of the Company) entered into a shareholder agreement to inject a total amount of US\$16,000,000 (equivalent to HK\$124,138,000) to Reachfull Investment Limited (a fellow subsidiary of the Company, which is established for the purpose of developing the public enterprise cloud services platform with Cisco Systems (Switzerland) GmbH) for subscription of 25% of its equity interests by 3 tranches. There was no subscription under the shareholder agreement paid during the period and the total unpaid subscription of US\$10,000,000 (equivalent to HK\$77,586,000) will be paid in form of cash in the near future.

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17. RELATED PARTY TRANSACTIONS (continued)

(c) Commitments with related parties (continued)

- iii. On 11 November 2014, Prosper Fortune Enterprises Limited ("Prosper Fortune", a wholly-owned subsidiary of the Company), entered into a joint venture agreement, with two fellow subsidiaries of the Company, Sino Leader (Hong Kong) Limited and Crown Capital Enterprises Limited, to inject a total amount of RMB36,000,000 (equivalent to HK\$42,120,000) to TCL Smart Home Technologies Co., Limited which was established for the purpose of developing the business of smart home products and services for subscription of 40% of its equity interests by two tranches. During the period, the amount of capital injected by Prosper Fortune under the joint venture agreement was RMB12,000,000 (equivalent to HK\$14,040,000). The remaining subscription of RMB12,000,000 (equivalent to HK\$14,040,000) will be paid in form of cash in the near future.
- iv. Subsidiaries of the Group have entered into several leasehold contracts with related parties, to lease certain premises for the Group's operation. Details of rental commitments related to these leasehold contracts are as follows:

Contract date	Lessor	Ending date of contract	Expected rental expenses within one year HK\$'000	Expected rental expenses in the second to fifth years, inclusive HK\$'000
1 May 2016	Shenzhen TCL Industrial Institute Ltd.	31 December 2016	19,360	-
1 September 2014	TCL Corporation	31 August 2017	2,962	494
			22,322	494

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17. RELATED PARTY TRANSACTIONS (continued)

(d) Outstanding balances with related parties

	Due from related companies		Due to related companies	
	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Current:				
Ultimate holding company	532	2,644	-	3,360
Fellow subsidiaries	481,588	285,070	298,827	140,618
Joint ventures	17,132	8,966	-	-
Associates	16,254	-	-	-
	515,506	296,680	298,827	143,978
Non-current:				
A fellow subsidiary	-	-	20,806	63,677
	515,506	296,680	319,633	207,655

The current balances with related parties are mainly trading balances which are unsecured, interest-free and have no fixed terms of repayment. The non-current balance with a fellow subsidiary is for purchase of property, plant and equipment which is unsecured, interest-free and is payable in monthly instalments from July 2017 to September 2017.

(e) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Short-term employee benefits	12,025	7,497
Pension scheme contributions	164	992
Share-based payment benefit expenses	4,325	1,948
Total compensation paid to key management personnel	16,514	10,437

During the period, except for the transactions of acceptance of service and sale of products with joint ventures with a total amount of HK\$4,966,000 (six months ended 30 June 2015: Nil), the other transactions with related parties above also constitute continuing connected transactions or connected transactions as defined in Chapter 14A of the Listing Rules and all the applicable requirements under Chapter 14A of the Listing Rules have been complied with.

Interim Results

18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of the Group's financial instruments approximate to their fair values.

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade receivables, notes receivables, factored trade receivables, trade and notes payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, current portion of due from/to related companies, current portion of interest-bearing bank borrowings and bank advances on factored trade receivables approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the management. At each reporting date, the finance department 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 management. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of interest-bearing bank borrowings and non-current portion of due to related companies have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The fair values of listed equity investments are based on quoted market prices.

At 30 June 2016, the unlisted available-for-sale investments of HK\$201,834,000 (31 December 2015: HK\$201,177,000) were stated at cost less any impairment losses as the fair value cannot be reliably measured because the probabilities of the various estimates within the range of reasonable fair value estimates cannot be reasonably assessed and used in estimating fair value.

Interim Results

18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The Group enters into various forward currency contracts and interest rate swap transactions with international banks with A and B credit rating with Moody's and the biggest banks in Mainland China. Derivative financial instruments, including forward currency contracts and interest rate swaps, are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of these international banks, foreign exchange spot and forward rates and interest rate curves. The carrying amounts of forward currency contracts and interest rate swaps are the same as their fair values.

Fair value hierarchy

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

As at 30 June 2016, the listed equity investments and the derivative financial instruments measured at fair value held by the Group belong to hierarchy Level 1 and hierarchy Level 2, respectively.

During the period, there were no transfer 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 (six months ended 30 June 2015: Nil).

19. APPROVAL OF THE INTERIM FINANCIAL REPORT

The condensed interim consolidated financial statements were approved and authorised for issue by the Board on 12 August 2016.

Management Discussion and Analysis

OPERATIONAL HIGHLIGHTS

- Total sales volume of handsets and other products reached 33.1 million units for the first half of 2016, representing a year-on-year (“y-o-y”) decrease of 2%.
- Total sales volume of smart devices for the first half of 2016 declined by 12% y-o-y to 17.4 million units.
- Overall average selling price (“ASP”) declined to US\$42.6 from US\$50.7 over the same period last year.
- Revenue for the first half of 2016 declined by 17%y-o-y to HK\$10.9 billion.
- Gross profit margin increased slightly to 20.4% in the first half of 2016, compared with 19.3% in the same period of last year.
- Net profit of HK\$11 million was recorded in the first half of 2016, declined by 98% y-o-y.
- Basic earnings per share was 1.76 HK cents, declined by 95% y-o-y.

Management Discussion and Analysis

BUSINESS REVIEW

In the first half of 2016, consumer power and sentiment was affected by the slowdown of global economic growth and continuing currency fluctuation in emerging markets. According to market research firm IDC and the Group's data, shipment volumes of handsets and smartphones globally witnessed decline to varying extents in the first quarter of 2016, the total shipment volumes of handsets was down by 3% year-on-year. During the Period (For the six months ended 30 June 2016, the same below), the Group's total sales volume of handsets and other products was down by 2% year-on-year to 33.1 million units. Due to the downward trend of the industry and business restructuring of the Group, the Group's smartphones sales continued to slow. During the Period, total sales volume of smart devices declined by 12% year-on-year to 17.4 million units. The Group's revenue saw a year-on-year decline of 17% to HK\$10.9 billion during the Period.

Chinese handset manufacturers' active overseas expansion and the rise of local brands in consumer markets have further intensified competition in the global smartphone market. The average selling price ("ASP") of the Group's products declined to US\$42.6 in the first half of 2016 from US\$50.7 in the same period in 2015. However, the Group managed to maintain its gross profit margin at a steady level of 20.4% through continuous product portfolio enhancement and market-oriented product development, as well as focusing on business areas with high profitability. In addition, hardware development for virtual reality (VR) products is initiating and the Group will focus on the industry buzz and continue to further invest in product R&D and brand-building. During the Period, the Group's operating expenses (including research and development costs, selling and distribution expenses and administrative expenses) were HK\$2,598 million. Net profit was HK\$11 million. Basic earnings per share declined to 1.76 HK cents from 36.58 HK cents over the corresponding period in the previous year.

Management Discussion and Analysis

BUSINESS REVIEW (continued)

Performance of Product Segments

The Group continued to enhance its product portfolio and launched a number of smart devices equipped with the latest technology and functions, which were widely recognised by the market.

1. Product Business

1.1. Handsets

For smartphones, the Group has been committed to improving users' experience and achieving breakthroughs in technology innovation. During the Period, the flagship product of the year, **Alcatel IDOL 4** series, had already been launched worldwide. The series is designed to grasp the development potential arising from virtual reality: the 5.5-inch 2K AMOLED display **Alcatel IDOL 4S** is equipped with an innovative packaging that can be transformed into a VR box, offering users a brand new 360-degree viewing and gaming perspective.

TCL 750, the first product launched by the Group follow the restructuring in the China region, echoes the brand philosophy "Tout Comme La Vie" with its slim and elegant look. The in-built pose guidance function "Pose Meizi" is able to optimise users' photo-taking experience. In addition, the smartphone possesses personalised functions such as fingerprint recognition and double login for social accounts, offering flexibility for users to separate living and work matters.

1.2. Tablets, BigPad and Wearable Devices

For tablets, the Group launched its first 2-in-1 tablet, **Alcatel PLUS 10**, using the Windows 10 operating system. The tablet is equipped with a detachable 4G keyboard that can serve as a Wi-Fi hotspot, together with multiple ports, supports three working modes, satisfying various requirements of mobile office use and entertainment. It has been highly reviewed by many well-known international media outlets and received three recognitions in media 'best-of' lists.

The **Xess** series is a BigPad device customised for family use and is committed to establishing a content platform by building a new and entertaining home living mode. During the Period, **Xess** series officially entered the North American markets and partnered with the kids' channel Nickelodeon, providing more choices for global uses of media content.

On the wearable devices front, **Alcatel MOVE Track & Talk**, the Group's third smart watch, possesses in-built GPS to ensure children's safety, while the pre-loaded quick dial function enables parents and children to communicate freely anytime, anywhere.

Management Discussion and Analysis

BUSINESS REVIEW (continued)

Performance of Product Segments (continued)

1. Product Business (continued)

1.3. Research and Development

The Group continued to expand its investment in VR technology and equipment development. During the Period, **Alcatel** brand became one of the first global handset brands committed to support Google's Daydream platform. Currently, the Group is working closely with Google to improve audio and display experience of media content, including music, gaming and entertainment. Looking forward, the Group will enrich the VR ecosystem through hardware, content and user experience. By doing so, the Group will be able to offer consumers the latest VR technology that resonates with their needs.

2. Services Business

In order to promote "Intelligence + Internet" strategic transformation and establish the "Product + Service" business model, the Group aims to nurture competitive vertical application business, establish an internet ecosystem and build a massive user platform, based on the hardware platform of smart devices and principles of encompassing innovative breakthroughs, open cooperation, reorganisation and consolidation.

2.1. Cloud Services

The Group partnered with its parent company TCL Corporation and Cisco to establish Guangzhou Sky-tech Cloud Info Co., Ltd to develop an enterprise cloud services platform, providing domestic enterprises and industrial users with a cloud-based, multi-terminal video communications platform and cooperative office system. In addition, the Group joined with TCL Corporation and a third-party investor to build "Sky-tech Cloud", a public enterprise services platform, in support of the Group's cloud service. As an important part of the "Double +" business transformation strategy, the enterprise cloud will be combined with family and individual clouds to build a seamlessly integrated cloud service platform with "mobile scene, family scene and enterprise scene". As well as providing basic resource services, it will also provide support, on-site application and data consolidation to the Group and TCL Corporation in the development of internet applications and service platforms, O2O platforms, a financial services platform, Big Data operations, and other value-added services.

The data centre, billing system and customer system of "Sky-tech Cloud" was launched in 2015 and further cooperation has been undertaken with a number of well-known enterprises within the country after the official commercial launch of the first product, "**Sky-tech WebEx**". During the Period, "Sky-tech Cloud" also introduced Cisco Hosted Collaboration Solution (HCS) to enrich its collaboration service categories.

Management Discussion and Analysis

BUSINESS REVIEW (continued)

Performance of Product Segments (continued)

2. Services Business (continued)

2.2. Mobile Internet Application Platforms

As of 30 June 2016, the number of cumulative activated mobile users of the Group's mobile internet platform had almost doubled year-on-year to 34.5 million, while the number of cumulative application downloads amounted to nearly 400 million. 2016 is the year for laying the foundation of the mobile internet application platform. During the Period, the Group completed a three-year mobile internet business plan and consolidated its existing product line, gradually laying a solid foundation with a focus on enhancing product core competencies and basic mobile internet operating capabilities.

The mobile internet application platform will take advantage of the Group's favourable position in hardware imports to integrate its own services and content with those of third parties, with Cloud Platform and Big Data as bases, through application development enhancement centred on system applications, system security, cleansing optimisation and flow distribution, to establish a mobile internet ecosystem. Additionally, the platform will enhance the operational capabilities of mobile internet users and gradually establish sales channels for application services based on advertising and games.

2.3. Online Financial Service Platform (Third-party Mobile Payment Gateway)

As of 30 June 2016, the settlement of the online financial services platform (third-party mobile payment gateway), which was jointly developed by the Group and TCL Corporation, recognised a settlement amount of HK\$7.3 billion, an increment of over 3 times year-on-year, which connected nearly 460 e-commerce business users.

The Group will continue to consolidate the innovative "Hardware + Payment" industry model with its third-party mobile payment platform. Through integration of Big Data and financial payment on an immense scale, the Group will be able to build customised, in-depth development strategies for commercial users in sectors such as digital entertainment, mobile e-commerce, business travel, mobile gaming and O2O applications, with a focus on mobile payment, internet payment and point-of-sale (POS) payment. In addition, the Group will launch competitive and innovative payment products and financial services to promote TCL Group's development in industrial finance.

Management Discussion and Analysis

BUSINESS REVIEW (continued)

Performance of Product Segments (continued)

2. Services Business (continued)

2.4. TCL Smart Home

TCL Smart Home (a joint venture of TCL Corporation, the Group and TCL Multimedia Technology Holdings Limited (a fellow subsidiary)) is positioned to provide smart home intelligent solutions for TCL Corporation's products.

During the Period, the establishment of the fundamental platform for smart home business was completed, followed by the launch of the brand new "Intelligent Control Centre". As the core unit of the smart home system solution, the Intelligent Control Centre consists of two important components named **Uki** gateway and **Super APP 2.0**. These components are responsible for connecting to the core and smart living butler respectively. These not only help users to achieve centralised control and manage smart home devices, but also satisfy the service needs of users' daily lives, providing the most comprehensive integrated smart home management service available. In addition, TCL Smart Home is active in establishing the Smart Home Solution + Intelligent Community platform and specific pilot cooperation work has already begun in cities such as Qingdao, Xiamen and Shenzhen.

Management Discussion and Analysis

BUSINESS REVIEW (continued)

Regional Business Performance

In order to respond to market changes in a timely manner, the Group employs a lean and effective organisational structure to achieve healthy operations and maintain stable profitability.

(HK\$ Million)	Revenue of handsets and other products For the six months ended 30 June		
	2016	2015	Change (%)
North America	3,426	3,222	+6%
Latin America	2,940	4,000	-27%
Europe	2,773	3,203	-13%
Middle East and Africa ("MEA")	893	1,275	-30%
Asia Pacific ("APAC")	544	367	+48%
China	356	1,160	-69%
Total	10,932	13,227	-17%
<i>Including: smart devices</i>	9,279	11,876	-22%

1. North America

During the Period, the revenue for the North America increased by 6% year-on-year to HK\$3.4 billion; the sales volume of handsets and other devices increased by 4% year-on-year to 7.1 million units, within which smart devices increased by 37% year-on-year to 4.3 million units. Due to close long-term relationships with major operators, tablet business in the region has recorded continuous growth. The Group will actively seek to capture the opportunities brought by the VR trend and continue to strengthen sales and upgrades of 4G products.

2. Latin America

Business in this region was affected due to the prolonged currencies fluctuations and the rise of local brands. During the Period, revenue for the Latin America region declined by 27% year-on-year to HK\$2.9 billion; the sales volume of handsets and other products in Latin America declined by 7% year-on-year to 9.9 million units, within which sales volume of smart devices declined by 16% year-on-year to 5.5 million units. The Group will continue to closely monitor the credit and currency risks in the region and take appropriate protective measures where necessary. It will also protect its leading market share in entry-level smartphones.

Management Discussion and Analysis

BUSINESS REVIEW (continued)

Regional Business Performance (continued)

3. Europe

Sales in Europe has been mainly driven by North Europe and Germany in order to compensate exchange rate impact in Russia and South Europe. During the Period, the Group's revenue in the European region decreased by 13% year-on-year to HK\$2.8 billion; sales volume of handsets and other devices increased by 14% year-on-year to 8.7 million units, while smart devices decreased by 7% year-on-year to 4.2 million units. The Group is committed to broadening open market and online channels in the region.

4. Middle East and Africa ("MEA")

During the Period, the Group achieved a revenue of HK\$900 million in the Middle East and Africa, with a decline of 30% year-on-year; the sales volume of handsets and other devices in the MEA region decreased by 1% year-on-year to 3.9 million units, within which smart devices decreased by 28% year-on-year to 1.9 million units. The rising number of domestic brands in the region has intensified the market competition. In the coming quarter, the Group will continue to focus on entry-level products to safeguard its existing market share.

5. Asia Pacific ("APAC")

During the Period, the Group recorded a revenue of HK\$500 million in the Asia Pacific region, with a year-on-year increase of 48%; the sales volume of handsets and other products increased by 83% year-on-year to 1.7 million units, within which sales volume of smart devices increased by 46% year-on-year to 0.9 million units. Despite currency devaluation, business in the region continued to demonstrate improvement due to the Group's long-term investment in open markets and e-commerce channels. Riding on this success, the Group will further develop its online channels.

6. China

Due to the gradual, ongoing saturation of the handset market in China, the growth in demand for new devices has slowed. During the Period, the revenue from the region declined by 69% year-on-year to HK\$400 million; the sales volume of handsets and other products in China declined 52% year-on-year to 1.8 million units, while sales volume of smart devices was down 71% year-on-year to 0.6 million units. The Group has completed a strategic adjustment and business reorganization during the period and will focus on a three-tier development which consists of operators, open channels and e-commerce. The Group will also actively increase channel coverage and seek more partnerships in pre-installation, promotion and joint marketing. At the same time, the Group will focus on the implementation of its "Premium Strategy" under the new brand philosophy, with the aim of improving brand image and improving product prices.

Management Discussion and Analysis

BUSINESS REVIEW (continued)

Marketing and Brand Building

2016 is a year of rebranding for the Group. In January, the Group announced the launch of its new brand concept in China region, “Tout Comme La Vie”, which incorporates the concepts of TCL + V (Victory). According to the new positioning, the Group will implement a quality strategy focusing on four different consumer groups: T pragmatic, C young, L fashion, V business; to provide differentiated quality products with unique aesthetics and functions, serving the Chinese consumer. In June, **TCL 750**, the first smartphone that echoes the Group’s brand philosophy “Tout Comme La Vie”, was launched in Beijing and went on to general release in China. In addition, the “**ALCATEL ONETOUCH**” brand was officially simplified to “**Alcatel**” and it was launched at MWC 2016. The new branding seeks to offer the affordable innovative function matches with the millennials’ pursuit of enjoyment in every day.

During the Period, the Group participated in several major global industrial trade shows, including CES 2016 in Las Vegas and MWC 2016 in Barcelona, to enhance its market position and brand building. A number of the Group’s new products were launched at these trade shows and won recognition from leading international media. For instance, the tablet **Alcatel PIXI 3 (8)** was named “2016 CES Top Pick” by *Windows Central*, while BigPad **Xess** was recognised as the “Best of CES 2016” by *Android Authority*. The **Alcatel IDOL 4** series smartphone and 2-in-1 tablet **Alcatel PLUS 10** received plaudits in 17 categories from international top-tier media including *Android Central*, *Phone Arena*, *Tom’s Guide* and *Windows Central*.

During the Period, the Group was also named “Global Smart Phone Top 10” and “Global Smart Connected Devices Top 15” by *International Data Group (IDG)*. This recognition not only showed the Group’s achievement in innovation, but also reflected the Group’s overall capability as a leading global smart devices manufacturer.

OUTLOOK

Looking ahead, the slowdown in growth of the global mobile communications terminal industry, instability of the global economy and gloomy external commercial environment will bring tremendous challenges, which increase operation and credit risks. The persistently strong US dollar will further weaken the purchasing power of emerging markets. In addition, competition within the industry is getting fiercer. Overseas markets not only need to face competition from Chinese mobile phone manufactures actively seeking overseas opportunities, but also the growing threat from local brands in various regions.

Management Discussion and Analysis

OUTLOOK (continued)

The Group will continue to implement efficient credit controls and currency hedging policies to maintain a healthy and stable financial position. The Group will also further enhance its core competences and continue to improve technological innovation capability and international management ability, thereby preemptively capturing opportunities to expand market share. The Group will actively expand in regional markets, consolidate and strengthen its dominant position in overseas markets; further optimise its management capability and improve internal communication and collaboration efficiency; continue to promote the “Double +” business transformation strategy of “Intelligence + Internet” and “Products + Services”, enhance intelligence and internet application service ability, seize the opportunity to develop new strategic business and cultivate new growth drivers, thereby maximising shareholders’ value.

FINANCIAL REVIEW

Results

For the six months ended 30 June 2016, the Group’s unaudited consolidated revenue amounted to HK\$10,932 million (six months ended 30 June 2015: HK\$13,227 million), representing a year-on-year decrease of 17% as compared to the same period last year.

The Group’s gross profit margin increased to 20.4% from 19.3% in the same period of last year.

EBITDA and profit attributable to owners of the parent were HK\$220 million (six months ended 30 June 2015: HK\$656 million) and HK\$22 million (six months ended 30 June 2015: HK\$453 million) respectively. Basic earnings per share were 1.76 HK cents (six months ended 30 June 2015: 36.58 HK cents).

Inventory

The Group’s inventory (including factory inventory only) turnover period was 28 days (year ended 31 December 2015: 26 days) for the period under review.

Trade Receivables

Credit period ranged from 30 to 180 days on average and the trade receivable (excluding factored trade receivables) turnover period was 81 days (year ended 31 December 2015: 89 days) for the period under review.

Significant Investments and Acquisitions

There has been no significant investments and acquisitions during the six months ended 30 June 2016 and up to the approval date of this interim report.

Fund Raising

There has been no fund raising during the six months ended 30 June 2016 and up to the approve date of this interim report.

Management Discussion and Analysis

FINANCIAL REVIEW (continued)

Liquidity and Financial Resources

The Group maintained a healthy liquidity position during the period under review. The Group's principal financial instruments comprise cash and cash equivalents, pledged deposits, interest-bearing bank borrowings and bank advances on factored trade receivables. The cash and cash equivalents balance as at 30 June 2016 amounted to HK\$587 million, of which 50% were in Renminbi ("RMB"), 22% in United States dollars ("USD"), 9% in Euro and 19% in Hong Kong dollars and other currencies for the operations. The Group's total interest-bearing borrowings as at 30 June 2016 were HK\$2,654 million, in which the interest-bearing bank borrowings were HK\$2,458 million and bank advances on factored trade receivables were about HK\$196 million. The Group's financial position remained healthy with equity attributable to owners of the parent of HK\$3,976 million as at 30 June 2016 (31 December 2015: HK\$3,953 million). The Group had a gearing ratio of 16% as at the end of the period under review (31 December 2015: 20%). The gearing ratio is calculated based on the Group's total interest-bearing borrowings over total assets.

Pledged Deposits

Deposit balance of HK\$696 million (31 December 2015: HK\$1,028 million) represented the pledged deposit for interest-bearing bank borrowings, banking facilities and other financial instruments of HK\$665 million (31 December 2015: HK\$995 million) and retention guarantee for factored trade receivables of HK\$31 million (31 December 2015: HK\$33 million).

Capital Commitments and Contingent Liabilities

The capital commitments of the Group were as follows:

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Contracted, but not provided for:		
Property, plant and equipment	-	4,528
Capital contributions payable to an associate	77,586	77,508
Capital contributions payable to a joint venture	14,040	28,646
	91,626	110,682

The Group had no significant contingent liabilities as at 30 June 2016 (31 December 2015: Nil).

Management Discussion and Analysis

FINANCIAL REVIEW (continued)

Foreign Exchange Exposure

The Group has transactional currency exposures. These exposures arise from sales or purchases by operating units in currencies other than the units' functional currency. The Group tends to accept foreign currency exchange risk avoidance or allocation terms when arriving at purchase and sales contracts. The Group takes rolling forecast on foreign currency revenue and expenses, matches the currency and amount incurred, so as to alleviate the impact to business due to exchange rate fluctuation. 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.

Employees and Remuneration Policy

The Group had around 13,000 employees as at 30 June 2016. Total staff costs for the period under review were HK\$1,124 million. The remuneration policy was reviewed in accordance with current legislation, market conditions and both individual and company performance.

Other Information

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

As at 30 June 2016, the interests and short positions of the Directors and chief executive of the Company 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 (Cap. 571, 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules, were as follows:

(A) Interests in the Company - Long Positions

Name of Directors	Number of ordinary Shares held	Number of Awarded Shares held (Note i)	Number of underlying Shares held under equity derivatives (Note ii)	Total	Approximate percentage of issued Share capital of the Company (Note viii)
LI Dongsheng	50,932,050	212,995	3,131,500	54,276,545*	4.26%
GUO Aiping	2,359,280	291,972	9,764,885	12,416,137	0.97%
Nicolas Daniel Bernard ZIBELL	629,535	-	441,000	1,070,535	0.08%
HUANG Xubin	21,474	42,948	1,166,081	1,230,503	0.10%
LIAO Qian	5,774	11,550	40,350	57,674	0.005%
LAU Siu Ki	447,800	7,247	225,316	680,363	0.05%
LOOK Andrew	3,623	7,247	25,316	36,186	0.003%
KWOK Hoi Sing	3,623	7,247	525,316	536,186	0.04%

* As at 30 June 2016, Mr. LI Dongsheng was deemed to be interested in 54,276,545 Shares, comprising (a) 47,144,850 Shares, share options of the Company (the "Share Options") for subscribing 3,067,217 Shares, and 194,595 Awarded Shares of the Company, all being held by Mr. LI Dongsheng; and (b) 3,787,200 Shares, Share Options for subscribing 64,283 Shares, and 18,400 Awarded 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 Corp. (Note iii)

Name of Directors	Number of ordinary Shares held	Number of Awarded Shares held	Number of underlying Shares held under equity derivatives	Total	Approximate percentage of issued Share capital of TCL Corp. (Note viii)
LI Dongsheng	1,047,173,209	-	-	1,047,173,209*	8.57%
HUANG Xubin	3,383,380	-	-	3,383,380	0.03%

* Under the SFO, as at 30 June 2016, Mr. LI Dongsheng was deemed to be interested in (a) 638,273,688 shares of TCL Corp. held by him personally; and (b) 408,899,521 shares of TCL Corp. held by partnership enterprises ultimately controlled by him.

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

TCL Multimedia (Note iv)

Name of Directors	Number of ordinary shares held	Number of restricted shares held (Note v)	Number of underlying shares held under equity derivatives (Note vi)	Total	Approximate percentage of issued share capital of TCL Multimedia (Note viii)
LI Dongsheng	41,522,430	223,040	5,023,646	46,769,116*	2.69%
HUANG Xubin	1,083,555	121,134	855,732	2,060,421	0.12%
LIAO Qian	6,874	37,829	118,739	163,442	0.01%

* As at 30 June 2016, Mr. LI Dongsheng was deemed to be interested in 46,769,116 shares of TCL Multimedia, comprising (a) 37,511,663 shares of TCL Multimedia, share options of TCL Multimedia for subscribing 4,797,111 shares of TCL Multimedia, and 146,895 restricted shares of TCL Multimedia, all being held by Mr. LI Dongsheng; and (b) 4,010,767 shares of TCL Multimedia, share options of TCL Multimedia for subscribing 226,535 shares of TCL Multimedia, and 76,145 restricted shares of TCL Multimedia, 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 Electronics (Note vii)

Name of Directors	Number of ordinary shares held	Number of awarded shares held	Number of underlying shares held under equity derivatives	Total	Approximate percentage of issued share capital of Tonly Electronics (Note viii)
LI Dongsheng	5,687,668	-	-	5,687,668*	2.28%
HUANG Xubin	4,325	-	-	4,325	0.002%

* As at 30 June 2016, Mr. LI Dongsheng was deemed to be interested in 5,687,668 shares of Tonly Electronics, comprising (a) 5,306,968 shares of Tonly Electronics held by Mr. LI Dongsheng; and (b) 380,700 shares of Tonly Electronics held by the spouse of Mr. LI Dongsheng.

Notes:

- i. As at 30 June 2016, these awarded shares granted to the Directors and their associates under the Share Award Scheme B. Further details of the Share Award Schemes during the period under review were set out in note 14 to the financial statements.
- ii. As at 30 June 2016, these equity derivatives were the outstanding Share Options granted to the Directors and their associates under the Share Option Schemes. Further details of the Share Option Schemes during the period under review were set out in note 13 to the financial statements.

Other Information

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

Notes: (continued)

- iii. TCL Corporation ("TCL Corp."), a company incorporated in the People's Republic of China with its shares listed on the Shenzhen Stock Exchange (stock code: 000100), is the ultimate controlling shareholder of the Company, hence an associated corporation of the Company under Part XV of the SFO.
- iv. TCL Multimedia Technology Holdings Limited ("TCL Multimedia"), a company incorporated in the Cayman Islands with its shares listed on the Stock Exchange (stock code: 1070), and controlled by TCL Corp., is a subsidiary of TCL Corp., hence an associated corporation of the Company under Part XV of the SFO.
- v. As at 30 June 2016, these restricted shares were the restricted shares, granted to the Directors and their associates under the share award scheme of TCL Multimedia.
- vi. As at 30 June 2016, these equity derivatives were the outstanding share options granted to the Directors and their associate(s) under the share option scheme of TCL Multimedia.
- vii. Tonly Electronics Holdings Limited ("Tonly Electronics"), a company incorporated in the Cayman Islands with its shares listed on the Stock Exchange (stock code: 1249), and controlled by TCL Corp., is a subsidiary of TCL Corp., hence an associated corporation of the Company under Part XV of the SFO.
- viii. As at 30 June 2016, such percentage was calculated based on the total number of shares and underlying shares of the Company or the relevant associated corporation (as the case may be) in which the relevant Director and their associate(s) was interested as notified to the Company and disclosed on the website of the Stock Exchange pursuant to Part XV of the SFO, against the number of issued shares of the Company or the relevant associated corporation (as the case may be).

Save as disclosed above, as at 30 June 2016, none of the Directors and chief executive of the Company and their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2016, the interests and short positions of the persons other than a Director or chief executive of the Company in Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Name	Type of interest	Interest in shares and underlying shares held	Approximate percentage of the issued share capital of the Company (Note)
TCL Corp.	Interest of controlled corporation	829,356,000	65.02%

Note: Under the SFO, as at 30 June 2016, TCL Corp. was deemed to be interested in 829,356,000 Shares held by T.C.L. Industries Holdings (H.K.) Limited, a direct wholly-owned subsidiary of TCL Corp.. The percentage of 65.02% was calculated based on the total number of shares, and underlying Shares in which TCL Corp. was interested aforesaid, against the total number of issued Shares of the Company as at 30 June 2016, i.e. 1,275,545,082 Shares.

Save as disclosed above, as at 30 June 2016, there is no person (not being a Director or chief executive of the Company whose interests are set out in the section "Director's and Chief Executive's interests and short positions in Shares, underlying Shares and debentures" above), who has notified the Company pursuant to Part XV of the SFO that he/she/it, had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the period under review, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE CODE

During the period under review, the Company has fully complied with the code provisions (the "Code Provision(s)") set out in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules, except for Code Provisions A.6.7, D.1.4, E.1.2 and F.1.1 as explained below.

Other Information

CORPORATE GOVERNANCE CODE (continued)

Code Provision A.6.7

In respect of this Code Provision, due to respective pre-arranged business commitment which must be attended to by Mr. HUANG Xubin and Mr. LIAO Qian, being non-executive Directors, were not present at the annual general meeting of the Company held on 18 May 2016. However, Mr. LAU Siu Ki, Mr. LOOK Andrew and Mr. KWOK Hoi Sing, all of whom being independent non-executive Directors, were all present at the said annual general meeting to ensure an effective communication with the shareholders thereat.

Code Provision D.1.4

In respect of this Code Provision, except for Mr. LI Dongsheng, Mr. Nicolas Daniel Bernard ZIBELL, Mr. LIAO Qian and Mr. LAU Siu Ki, the Company has not entered into formal letters of appointment with Directors 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 appointments already exists between the Company and the Directors, and so there is no written record of the same. However, all Directors are subject to retirement by rotation at least once every three years in accordance with the memorandum and articles of association of the Company and Code Provision A.4.2.

Code Provisions E.1.2

In respect of this Code Provision, due to respective pre-arranged business commitment which must be attended to by Mr. LI Dongsheng, the chairman, was not present at the annual general meeting held on 18 May 2016. However, Mr. GUO Aiping, being an executive Director and the chief executive officer of the Company, present at the annual general meeting and was elected as the chairman thereof pursuant to the memorandum and articles of association to ensure an effective communication with the shareholders thereat.

Code Provision F.1.1

In respect of this Code Provision, the company secretary of the Company (the “Company Secretary”), Ms. PANG Siu Yin (“Ms. PANG”) (resigned with effect from 13 August 2016) and Ms. CHOY Fung Yee (appointed with effect from 13 August 2016) (“Ms. CHOY”), is a partner of the Company’s legal adviser, Cheung Tong & Rosa Solicitors. Ms. PANG has been appointed as the Company Secretary since 2004. The Company has also assigned the acting chief financial officer of the Company, Mr. WANG Pui, Janus, (resigned with effect from 23 July 2016) and Mr. SONG Yu (appointed with effect from 23 July 2016) as the contact person with Ms. PANG and Ms. CHOY (as applicable). Information in relation to the performance, financial position and other major developments of the Group are speedily delivered to Ms. PANG and Ms. CHOY (as applicable) through the contact person assigned, to enable Ms. PANG and Ms. CHOY (as applicable) to get hold of the Group’s development promptly without material delay and with her expertise and experience, the Company is confident that having Ms. PANG and Ms. CHOY (as applicable) as the Company Secretary is beneficial to the Group’s compliance with the relevant Board procedures, applicable laws, rules and regulations.

Other Information

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), Appendix 10 to the Listing Rules. 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 under review.

AUDIT COMMITTEE

The unaudited consolidated results for the period ended 30 June 2016 have been reviewed by the audit committee of the Company which comprises four members, namely Mr. LAU Siu Ki (chairman), Mr. LOOK Andrew and Mr. KWOK Hoi Sing, all being an independent non-executive Directors and Mr. HUANG Xubin, a non-executive Director.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B (1) of the Listing Rules, the changes in information of Directors subsequent to the date of the 2015 Annual Report of the Company are set out below:

Name of Directors	Details of the Changes
Mr. LAU Siu Ki	Appointed as the company secretary of Expert Systems Holdings Limited (stock code: 8319) (which is listed on the Growth Enterprise Market of Stock Exchange on 12 April 2016) in March 2016

INTERIM DIVIDEND

The Board has resolved not to declare payment of any interim dividend for six months ended 30 June 2016 (six months ended 30 June 2015: 12.80 HK cents).

On behalf of the Board

LI Dongsheng

Chairman

Hong Kong
12 August 2016