

2014

interim report



TCL COMMUNICATION TECHNOLOGY HOLDINGS LIMITED
Interim Report 2014

Contents

2 Corporate
Information

4 Interim
Results

43 Management
Discussion and Analysis

55 Other
Information

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. LI Dongsheng (*Chairman*)

Mr. GUO Aiping

Mr. WANG Jiyang

Non-Executive Directors

Mr. HUANG Xubin

Mr. YAN Xiaolin

Ms. XU Fang

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

Ms. XU Fang

NOMINATION COMMITTEE

Mr. KWOK Hoi Sing (*Chairman*)

Mr. LAU Siu Ki

Mr. LOOK Andrew

Ms. XU Fang

COMPANY SECRETARY

Ms. PANG Siu Yin

AUTHORISED REPRESENTATIVES

Mr. GUO Aiping

Ms. PANG Siu Yin

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

SOLICITORS

Cheung Tong & Rosa Solicitors

Room 501, 5/F.

Sun Hung Kai Centre

30 Harbour Road

Hong Kong

Corporate Information

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, 19/F, Tower 3
China Hong Kong City
33 Canton Road
Tsimshatsui, Kowloon
Hong Kong

INVESTOR AND MEDIA RELATIONS

iPR Ogilvy & Mather
Units 2008-12, 20/F, The Center
99 Queen's Road Central
Central
Hong Kong

TICKER SYMBOL

Listed on The Stock Exchange
of Hong Kong Limited under
the share ticker number 02618

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 2014, with comparative figures for the same period last year as follows and these condensed interim consolidated financial statements have not been audited, but have been reviewed by the Company’s Audit Committee:

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months and six months ended 30 June

		Six months ended 30 June 2014 (Unaudited) HK\$'000	Six months ended 30 June 2013 (Unaudited) HK\$'000	Three months ended 30 June 2014 (Unaudited) HK\$'000	Three months ended 30 June 2013 (Unaudited) HK\$'000
	Notes				
REVENUE	3	12,217,878	6,407,106	6,677,223	3,958,331
Cost of sales		(9,836,934)	(5,278,229)	(5,383,253)	(3,231,791)
Gross profit		2,380,944	1,128,877	1,293,970	726,540
Other income and gains	3	208,975	247,587	112,168	149,554
Research and development costs		(517,010)	(431,813)	(261,957)	(208,030)
Selling and distribution costs		(1,032,653)	(655,805)	(567,112)	(366,929)
Administrative expenses		(527,364)	(424,329)	(292,586)	(236,617)
Other operating expenses		(9,112)	(30,853)	6,687	(25,719)
Finance costs	4	(42,387)	(60,269)	(17,942)	(24,450)
Share of (loss)/profit of associates		(408)	(872)	39	(416)
PROFIT/(LOSS) BEFORE TAX	5	460,985	(227,477)	273,267	13,933
Income tax	6	(20,356)	18,426	(12,871)	24,478
PROFIT/(LOSS) FOR THE PERIOD		440,629	(209,051)	260,396	38,411

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 2014 (Unaudited) HK\$'000	Six months ended 30 June 2013 (Unaudited) HK\$'000	Three months ended 30 June 2014 (Unaudited) HK\$'000	Three months ended 30 June 2013 (Unaudited) HK\$'000
<i>Notes</i>				
Attributable to:				
Owners of the parent	430,862	(206,888)	254,217	39,345
Non-controlling interests	9,767	(2,163)	6,179	(934)
	440,629	(209,051)	260,396	38,411
EARNINGS/(LOSS) PER SHARE				
ATTRIBUTABLE TO ORDINARY				
EQUITY HOLDERS OF THE				
PARENT (HK cents)				
8				
Basic	36.70	(18.29)	21.40	3.47
Diluted	35.06	(18.29)	20.46	3.38

Interim Results

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June

	Six months ended 30 June 2014 (Unaudited) HK\$'000	Six months ended 30 June 2013 (Unaudited) HK\$'000	Three months ended 30 June 2014 (Unaudited) HK\$'000	Three months ended 30 June 2013 (Unaudited) HK\$'000
PROFIT/(LOSS) FOR THE PERIOD	440,629	(209,051)	260,396	38,411
OTHER COMPREHENSIVE (LOSS)/INCOME				
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:				
Cash flow hedges:				
Effective portion of changes in fair value of hedging instruments arising during the period	(98,917)	129,875	(17,537)	33,095
Reclassification adjustment for loss/(gains) included in the consolidated statement of profit or loss	23,576	(7,179)	37,346	(29,703)
Income tax effect	17,863	(4,701)	17,863	(4,701)
	(57,478)	117,995	37,672	(1,309)
Exchange differences on translation of foreign operations	(47,202)	54,181	11,198	49,706
Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods	(104,680)	172,176	48,870	48,397
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	(104,680)	172,176	48,870	48,397
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	335,949	(36,875)	309,266	86,808
Attributable to:				
Owners of the parent	326,182	(34,712)	303,087	87,742
Non-controlling interests	9,767	(2,163)	6,179	(934)
	335,949	(36,875)	309,266	86,808

Interim Results

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		1,185,347	940,599
Investment properties		43,681	–
Prepaid land lease payments		116,404	128,933
Other intangible assets		1,129,931	955,821
Goodwill		253,954	253,954
Investment in associates		6,468	5,143
Available-for-sale investments		140,134	77,144
Deferred tax assets		223,230	195,340
Total non-current assets		3,099,149	2,556,934
CURRENT ASSETS			
Inventories		4,172,960	2,649,306
Trade receivables	9	5,295,837	5,550,714
Factored trade receivables		444,167	484,856
Notes receivable		368,721	34,244
Prepayments, deposits and other receivables		988,438	1,151,117
Due from related companies	18(d)	36,638	48,653
Tax recoverable		23,341	13,931
Derivative financial instruments		70,445	93,233
Pledged deposits	10	1,548,425	1,698,028
Cash and cash equivalents	10	519,385	142,008
Total current assets		13,468,357	11,866,090
CURRENT LIABILITIES			
Interest-bearing bank borrowings	11	3,328,572	2,204,923
Trade and notes payables	12	4,435,573	3,874,663
Bank advances on factored trade receivables		444,167	484,856
Other payables and accruals		3,905,837	3,148,245
Derivative financial instruments		197,697	92,396
Provision for warranties		417,736	306,663
Loan from a related company	11,18(d)	–	763,080
Due to related companies	18(d)	357,135	333,361
Tax payable		12,374	12,627
Total current liabilities		13,099,091	11,220,814
NET CURRENT ASSETS		369,266	645,276
TOTAL ASSETS LESS CURRENT LIABILITIES		3,468,415	3,202,210

Interim Results

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

		30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
	<i>Notes</i>		
TOTAL ASSETS LESS CURRENT LIABILITIES		3,468,415	3,202,210
NON-CURRENT LIABILITIES			
Retirement indemnities		5,671	5,740
Long service medals		2,423	2,452
Interest-bearing bank borrowings	11	64,723	196,120
Deferred tax liabilities		93,653	84,844
Total non-current liabilities		166,470	289,156
Net assets		3,301,945	2,913,054
EQUITY			
Equity attributable to owners of the parent			
Issued capital	13	1,206,124	1,162,460
Shares held for Share Award Scheme		(12,739)	(65,786)
Reserves		1,938,342	1,695,582
Proposed dividend		154,961	117,141
		3,286,688	2,909,397
Non-controlling interests		15,257	3,657
Total equity		3,301,945	2,913,054

Interim Results

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	Attributable to owners of the parent													
	Issued share capital	Share premium account	Shares held for Award Scheme	Awarded shares reserve	Share option reserve	Hedging reserve	Contributed surplus	Statutory reserve	Other reserve	Exchange fluctuation	Retained profits/(accumulated loss)	Total	Non-controlling interests	Total equity
	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 2013 (audited)	1,128,290	321,330	(77,870)	37,513	94,642	15,250	232,555	275,525	(130,232)	219,114	204,994	2,321,111	1,515	2,322,626
Loss for the period	-	-	-	-	-	-	-	-	-	-	(206,888)	(206,888)	(2,163)	(209,051)
Other comprehensive income for the period														
Cash flow hedges, net of tax	-	-	-	-	-	117,995	-	-	-	-	-	117,995	-	117,995
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	-	54,181	-	54,181	-	54,181
Total comprehensive loss for the period	-	-	-	-	-	117,995	-	-	-	54,181	(206,888)	(84,712)	(2,163)	(36,875)
Exercise of share options	6,833	18,491	-	-	(7,427)	-	-	-	-	-	-	17,897	-	17,897
Issue of new shares under Share Award Scheme	7,254	15,531	-	(22,785)	-	-	-	-	-	-	-	-	-	-
Reclassification of lapsed share options	-	972	-	-	(972)	-	-	-	-	-	-	-	-	-
Equity-settled share option arrangements	-	-	-	-	20,265	-	-	-	-	-	-	20,265	-	20,265
Share Award Scheme arrangements	-	-	-	22,213	-	-	-	-	-	-	-	22,213	-	22,213
Reclassification of vested shares	-	(2,836)	11,186	(8,350)	-	-	-	-	-	-	-	-	-	-
Transfer from retained profits	-	-	-	-	-	-	-	2,685	-	-	(2,685)	-	-	-
At 30 June 2013 (unaudited)	1,142,377	353,488*	(66,684)	28,591*	106,508*	133,245*	232,555*	278,210*	(130,232)*	273,295*	(4,579)*	2,346,774	(648)	2,346,126

Interim Results

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended 30 June 2014

	Attributable to owners of the parent															
	Issued share capital	Share premium account	Share Award Scheme	Shares held for Award	Awarded shares reserve	Share option reserve	Hedging reserve	Contributed surplus	Statutory reserve	Other reserve	Exchange fluctuation reserve	Proposed dividend	Retained profits	Total	Non-controlling interests	Total equity
	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 2014 (audited)	1,162,460	417,664	(65,786)	38,137	115,744	(17,435)	232,555	293,075	(130,232)	362,349	117,141	383,725	2,909,397	3,657	2,913,054	
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	430,862	430,862	9,767	440,629	
Other comprehensive loss for the period	-	-	-	-	-	(57,478)	-	-	-	-	-	-	(57,478)	-	(57,478)	
Cash flow hedges, net of tax	-	-	-	-	-	(57,478)	-	-	-	-	-	-	(57,478)	-	(57,478)	
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	-	(47,202)	-	-	(47,202)	-	(47,202)	
Total comprehensive income for the period	-	-	-	-	-	(57,478)	-	-	-	(47,202)	-	430,862	326,182	9,767	335,949	
Exercise of share options	36,798	120,727	-	-	(45,364)	-	-	-	-	-	-	-	112,161	-	112,161	
Issue of new shares under Share Award Scheme	6,866	14,749	-	(21,615)	-	-	-	-	-	-	-	-	-	-	-	
Reclassification of lapsed share options	-	37	-	-	(37)	-	-	-	-	-	-	-	-	-	-	
Equity-settled share option arrangements	-	-	-	-	22,465	-	-	-	-	-	-	-	22,465	-	22,465	
Share Award Scheme arrangements	-	-	-	35,611	-	-	-	-	-	-	-	-	35,611	-	35,611	
Reclassification of vested shares	-	(8,701)	53,047	(44,346)	-	-	-	-	-	-	-	-	-	-	-	
Addition of non-controlling interests	-	-	-	-	-	-	-	-	55	-	-	-	55	1,833	1,888	
2013 final dividend declared	-	-	-	-	-	-	-	-	-	-	(117,141)	(2,042)	(119,183)	-	(119,183)	
Proposed 2014 interim dividend	-	-	-	-	-	-	-	-	-	-	154,961	(154,961)	-	-	-	
At 30 June 2014 (unaudited)	1,206,124	544,476 *	(12,739)	7,787 *	92,808 *	(74,913) *	232,555 *	293,075 *	(130,177) *	315,147 *	154,961	657,584 *	3,286,688	15,257	3,301,945	

* These reserve accounts comprise the consolidated reserves of HK\$1,938,342,000 (30 June 2013: HK\$1,271,081,000) 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	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash flows from operating activities	966,343	539,418
Net cash flows used in investing activities	(924,914)	(503,533)
Net cash flows from financing activities	334,197	269,441
NET INCREASE IN CASH AND CASH EQUIVALENTS	375,626	305,326
Cash and cash equivalents at beginning of period	142,008	969,789
Effect of foreign exchange rate changes, net	1,751	2,389
CASH AND CASH EQUIVALENTS AT END OF PERIOD	519,385	1,277,504
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS:		
Cash and cash equivalents as stated in the consolidated statement of financial position	519,385	1,277,504

Interim Results

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed interim consolidated financial statements are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”. The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2013. Except for the changes in relation to the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which also include HKASs and interpretations) that affect the Group and are adopted for the first time for the current period’s financial statements. They have been prepared under the historical cost convention, except for the Group’s forward contracts and interest rate swaps, 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.

Impact of new and revised HKFRSs and HKASs

HKFRS 9	<i>Financial Instruments</i>
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	<i>Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39</i>
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	<i>Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – Investment Entities</i>
HKAS 32 Amendments	<i>Amendments to HKAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i>
HKAS 39 Amendments	<i>Amendments to HKAS 39 Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting</i>
HK (IFRIC)-Int 21	<i>Levies</i>

The principal effects of adopting these new and revised HKFRSs are as follows:

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

Interim Results

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Impact of new and revised HKFRSs and HKASs (continued)

The principal effects of adopting these new and revised HKFRSs are as follows: (continued)

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the “Additions”) and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated as at fair value through profit or loss using the fair value option (“FVO”). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability’s credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

In December 2013, the HKICPA added to HKFRS 9 the requirements related to hedge accounting and made some related changes to HKAS 39 and HKFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to HKFRS 9 relax the requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to HKFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on FVO liabilities as introduced in 2010 without applying the other HKFRS 9 requirements at the same time.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of HKFRS 9 was removed by the HKICPA in December 2013 and a mandatory effective date will be determined after the entire replacement of HKAS 39 is completed. However, the standard is available for application now. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9 rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. These amendments do not have any impact on the Group as the Company is not an investment entity as defined in HKFRS 10.

Interim Results

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Impact of new and revised HKFRSs and HKASs (continued)

The principal effects of adopting these new and revised HKFRSs are as follows: (continued)

The HKAS 32 Amendments clarify the meaning of “currently has a legally enforceable right to set off” for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments do not have significant impact on the financial position or performance of the Group upon adoption on 1 January 2014.

2. OPERATING SEGMENT INFORMATION

For management purpose, the management does not review the performance of the business in China and overseas segments separately, but considers there is only one segment which is research and development, manufacture and sale of mobile phones and other products. All of the Group’s products 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	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Europe, the Middle East and Africa	4,095,385	2,829,502
Americas	6,284,150	2,338,686
Asia Pacific	828,396	672,609
China	1,009,947	566,309
Total	12,217,878	6,407,106

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

(b) Non-current assets

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

Interim Results

3. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of mobile phones and other products sold during the period, after deducting allowances for returns and trade discounts. All significant intra-group transactions have been eliminated on consolidation.

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

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<hr/>		
Revenue		
Sale of mobile phones and other products	12,217,878	6,407,106
<hr/>		
Other income and gains		
Interest income	29,878	70,799
Subsidy income*	12,374	45,254
Value-added-tax ("VAT") refund**	133,515	98,190
Value-added service income	19,896	13,109
Exchange gain, net	1,531	–
Gain on deemed disposal of investment in an associate (note 5)	1,755	–
Gain on disposal of prepaid land lease payments and affiliated buildings (note 5)	–	496
Dividend income from an available-for-sale investment	589	–
Others	9,437	19,739
	208,975	247,587
<hr/>		

* Subsidy income 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 2014 and 2013, 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

	For the six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Interest on loans wholly repayable within three years	37,618	59,090
Interest on discounted notes and factored trade receivables*	4,769	1,179
	42,387	60,269

* The effective interest rate of factored trade receivables is 0.15% (six months ended 30 June 2013: 0.15%) per month.

5. PROFIT/(LOSS) BEFORE TAX

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

	For the six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Cost of inventories sold	9,836,934	5,278,229
Depreciation	83,611	70,666
Amortisation of land lease payment	1,202	1,469
Amortisation of computer software, intellectual property and ALCATEL brand licence	23,543	21,410
Research and development costs:		
Deferred expenditure amortised	442,761	377,990
Current period expenditure	74,249	53,823
	517,010	431,813
Brand management fee/TCL Brand Common Fund	4,064	4,175
Minimum lease payments under operating leases in respect of land and buildings	45,659	38,661
Impairment loss of trade receivables	1,106	39,917
Impairment loss of other receivables	-	2,066
Loss on disposal of items of property, plant and equipment	115	-
Gain on disposal of prepaid land lease payment and affiliated buildings (note 3)	-	(496)
Gain on deemed disposal of investment in an associate (note 3)	(1,755)	-

Interim Results

6. INCOME TAX

The Group calculates the period income tax 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 are:

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<hr/>		
Current		
Charge for the period:		
The PRC	8,327	7,137
France	10,662	1,233
Russia	1,823	6,229
Underprovision/(overprovision) in prior years	1,924	(391)
	22,736	14,208
Deferred	(2,380)	(32,634)
	20,356	(18,426)
Tax charge/(credit) for the period	20,356	(18,426)

7. DIVIDENDS

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<hr/>		
Proposed interim – 12.80 HK cents (six months ended 30 June 2013: Nil) per ordinary share	154,961	–

Interim Results

8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic and diluted earnings/(loss) per share is based on:

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<hr/>		
Profit/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic and diluted earnings/(loss) per share calculation	430,862	(206,888)
	<hr/>	
	Number of shares	
	For the six months ended 30 June	
	2014	2013
	<hr/>	
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings/(loss) per share calculation	1,174,048,697	1,131,430,784
Effect of dilution – weighted average number of ordinary shares*:		
Share options	48,992,302	–
Awarded shares	5,783,512	–
	1,228,824,511	1,131,430,784
	<hr/>	

* For the six months ended 30 June 2013, potential ordinary shares had an antidilutive effect on loss per share as their conversion to ordinary shares decreased loss per share. Thus, no dilutive adjustment has been made to the weighted average number of ordinary shares used in the calculation of diluted loss per share for the six months ended 30 June 2013.

Interim Results

9. TRADE RECEIVABLES

An aged analysis of the Group's trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Within 3 months	4,705,043	5,068,121
4 to 12 months	576,405	478,147
Over 12 months	26,716	27,526
	5,308,164	5,573,794
Impairment	(12,327)	(23,080)
	5,295,837	5,550,714

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

10. PLEDGED DEPOSITS, CASH AND CASH EQUIVALENTS

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Cash and bank balances	519,385	142,008
Pledged deposits	1,548,425	1,698,028
	2,067,810	1,840,036
Less: Pledged deposits		
– for factored trade receivables	35,359	59,531
– for interest-bearing bank borrowings, banking facilities and other financial instruments	1,513,066	1,638,497
Cash and cash equivalents	519,385	142,008

As at 30 June 2014, the cash and bank balances and pledged deposits of the Group denominated in Renminbi (“RMB”) amounted to HK\$1,560,642,000 (31 December 2013: HK\$1,505,684,000). The 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 with no recent history of default.

Included in the Group’s cash and bank balances and pledged deposits are deposits of HK\$308,231,000 (31 December 2013: HK\$191,771,000) placed with TCL Finance Company Limited (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% – 1.27% (2013: 0.15% – 1.27%) per annum, being the saving rate offered by the People’s Bank of China.

Interim Results

11. INTEREST-BEARING BANK BORROWINGS AND LOAN FROM A RELATED COMPANY

	30 June 2014		31 December 2013	
	Maturity (Year)	HK\$'000 (Unaudited)	Maturity (Year)	HK\$'000 (Audited)
Current				
Bank borrowings- unsecured	2014	728,955	2014	429,937
Bank borrowings- secured*	2014-2015	2,599,617	2014	1,774,986
		3,328,572		2,204,923
Loan from a related company**		–	2014	763,080
		3,328,572		2,968,003
Non-current				
Bank borrowing- secured*	2015	64,723	2015	196,120
		3,393,295		3,164,123
			30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Analysed into:				
Bank borrowings:				
Within one year or on demand		3,328,572		2,204,923
In the second year		64,723		196,120
		3,393,295		2,401,043
Loan from a related company:				
Within one year or on demand			–	763,080
		3,393,295		3,164,123

Interim Results

11. INTEREST-BEARING BANK BORROWINGS AND LOAN FROM A RELATED COMPANY (continued)

* The Group's secured interest-bearing bank borrowings are bank advance comprising (i) bank borrowings of HK\$1,324,083,000 (31 December 2013: HK\$1,423,492,000) which are secured by the pledge of certain of the Group's time deposits amounting to HK\$1,368,019,000 (31 December 2013: HK\$1,458,476,000); (ii) bank borrowings of HK\$1,324,500,000 (31 December 2013: HK\$506,567,000) which are guaranteed by the ultimate holding company; (iii) bank borrowings of HK\$1,429,000 (31 December 2013: HK\$2,188,000) which are secured by certain of the Group's machinery amounting to HK\$3,173,000 (31 December 2013: HK\$3,512,000); and (iv) bank borrowings of HK\$14,328,000 (31 December 2013: HK\$38,859,000) which are secured by letter of credit amounting to HK\$14,328,000 (31 December 2013: HK\$38,859,000).

** As at 31 December 2013, the Group's loan from a related company is an unsecured, interest-bearing loan with an effective contractual interest rate of 6.44% per annum and with a payment term of less than one year.

The effective contractual interest rate for the bank borrowings ranged from 0.53% to 10.46% (2013: 0.66% – 6.00%) per annum.

HK\$1,429,000 (31 December 2013: HK\$765,268,000) and HK\$50,349,000 (31 December 2013: HK\$22,209,000) of the interest-bearing bank loan and other borrowings are denominated in RMB and Euro respectively, and others are denominated in United States dollars.

12. TRADE AND NOTES PAYABLES

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

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Within 6 months	4,403,363	3,853,181
7 to 12 months	17,884	9,654
Over 12 months	14,326	11,828
	4,435,573	3,874,663

Trade and notes payables are non-interest-bearing and are normally settled on 90-day terms.

Interim Results

13. SHARE CAPITAL

	Number of shares	Issued share capital HK\$'000	Share premium account HK\$'000
Authorised:			
Ordinary shares of par value HK\$1 each at 1 January 2013, 31 December 2013, 1 January 2014 and 30 June 2014	2,000,000,000	2,000,000	
Issued and fully paid or credited as fully paid:			
As at 1 January 2013	1,128,290,105	1,128,290	321,330
Share options exercised	26,916,339	26,916	82,285
Issue of new shares under Share Award Scheme	7,253,783	7,254	15,531
Reclassification of lapsed share options	–	–	1,109
Reclassification of vested awarded shares	–	–	(2,591)
As at 31 December 2013 and 1 January 2014	1,162,460,227	1,162,460	417,664
Share options exercised*	36,797,126	36,798	120,727
Issue of new shares under Share Award Scheme**	6,866,266	6,866	14,749
Reclassification of lapsed share options	–	–	37
Reclassification of vested awarded shares	–	–	(8,701)
As at 30 June 2014	1,206,123,619	1,206,124	544,476

* During the six months ended 30 June 2014, 36,797,126 share options were exercised at subscription prices ranging from HK\$2.423 to HK\$7.614 per share, resulting in the issue of 36,797,126 ordinary shares of par value HK\$1 each for a total cash consideration of HK\$112,161,000.

** During the six months ended 30 June 2014, under Share Award Scheme of the Company, 6,866,266 ordinary shares of par value HK\$1 each were issued at no consideration.

Interim Results

14. SHARE OPTION SCHEME

The Company has adopted a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the share option scheme 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, in its sole discretion, considers has contributed or may contribute to the Group. The share option scheme, which was adopted and became effective on 13 September 2004 (the "Old Share Option Scheme") would be in force for 10 years from that date, and will be expired on 12 September 2014. In order to enable the Company to grant share options to eligible participants, including Directors, as incentives or rewards for their contribution to the Group, as well as to attract and retain the participants, the Directors recommended to the shareholders of the Company at the AGM held on 28 April 2014 to adopt a new share option scheme (the "New Share Option Scheme") and to simultaneously terminate the operation of the Old Share Option Scheme. On 28 April 2014, the adoption of 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.

The maximum number of shares in relation to the share options currently permitted to be granted under the New Share Option Scheme (as approved by shareholders in the AGM dated 28 April 2014) is, their exercise, limited to 10% of the shares of the Company 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 of the Company 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 a director, chief executive or substantial shareholder of the Company, or to any of their respective associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's 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 Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of grant of the share options, (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of grant, and (iii) the nominal value of a share.

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

Interim Results

14. SHARE OPTION SCHEME (continued)

As at 30 June 2014, the Company had 87,214,048 share options outstanding under the Old Share Option Scheme. Further details of the Old Share Option Scheme are as follows:

14.1 The following share options were outstanding under the Old Share Option Scheme of the Company during the reporting period:

Date of grant	Number of share options					Exercise period (both dates inclusive) <i>(Note a)</i>	Exercise price per share <i>(HK\$)</i>
	At 1 January 2014	Granted during the period	Exercised during the period	Lapsed during the period	At 30 June 2014		
5 July 2007	9,530,003	-	(8,797,081)	(207)	732,715	5 April 2008 to 4 July 2014	2.423
11 March 2010	11,037,334	-	(7,779,000)	-	3,258,334	11 December 2010 to 10 March 2016	3.020
25 May 2010	9,188,667	-	(1,888,667)	-	7,300,000	25 February 2011 to 24 May 2016	3.462
3 May 2011	7,787,093	-	(1,175,997)	(10,000)	6,601,096	3 February 2012 to 2 May 2017	7.614
9 August 2011	4,872,205	-	(139,368)	-	4,732,837	9 May 2012 to 8 August 2017	6.472
4 June 2012	39,591,414	-	(12,892,356)	(171,335)	26,527,723	4 March 2013 to 3 June 2018	2.740
12 July 2013	42,266,000	-	(4,124,657)	(80,000)	38,061,343	12 April 2014 to 11 July 2019	3.790
Total	124,272,716	-	(36,797,126)	(261,542)	87,214,048		

Interim Results

14. SHARE OPTION SCHEME (continued)

14.2 During the reporting period, outstanding share options of the directors of the Company, employees and those who have contributed or may contribute to the Group are as follows:

	Number of share options					Date of grant	Exercise period (both dates inclusive) (Note a)	Exercise price per share (HK\$)	
	At 1 January 2014	Granted during the period	Exercised during the period	Lapsed during the period	At 30 June 2014				
Executive Directors									
Mr. LI Dongsheng	1,414,252	-	(1,414,252)	-	-	5 July 2007	5 April 2008 to 4 July 2014	2.423	
	5,000,000	-	-	-	5,000,000	25 May 2010	25 February 2011 to 24 May 2016	3.462	
	1,547,368	-	-	-	1,547,368	3 May 2011	3 February 2012 to 2 May 2017	7.614	
	4,454,545	-	-	-	4,454,545	4 June 2012	4 March 2013 to 3 June 2018	2.740	
	840,000	-	-	-	840,000	12 July 2013	12 April 2014 to 11 July 2019	3.790	
	13,256,165	-	(1,414,252)	-	11,841,913				
Mr. GUO Aiping	258	-	-	-	258	5 July 2007	5 April 2008 to 4 July 2014	2.423	
	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	
		8,745,086	-	-	-	8,745,086			
Mr. WANG Jiyang	1,320,000	-	(1,320,000)	-	-	11 March 2010	11 December 2010 to 10 March 2016	3.020	
	7,256,498	-	(3,040,000)	-	4,216,498	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	
		10,256,498	-	(4,360,000)	-	5,896,498			

Interim Results

14. SHARE OPTION SCHEME (continued)

14.2 During the reporting period, outstanding share options of the directors of the Company, employees and those who have contributed or may contribute to the Group are as follows: (continued)

	Number of share options				At 30 June 2014	Date of grant	Exercise period (both dates inclusive) (Note a)	Exercise price per share (HK\$)
	At 1 January 2014	Granted during the period	Exercised during the period	Lapsed during the period				
Non-Executive Directors								
Mr. HUANG Xubin	666,667	-	(666,667)	-	-	25 May 2010	25 February 2011 to 24 May 2016	3.462
	139,368	-	(139,368)	-	-	9 August 2011	9 May 2012 to 8 August 2017	6.472
	1,000,000	-	(193,965)	-	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
	2,016,035	-	(1,000,000)	-	1,016,035			
Mr. YAN Xiaolin	45,000	-	(45,000)	-	-	5 July 2007	5 April 2008 to 4 July 2014	2.423
	167,200	-	-	-	167,200	9 August 2011	9 May 2012 to 8 August 2017	6.472
	210,000	-	-	-	210,000	12 July 2013	12 April 2014 to 11 July 2019	3.790
	422,200	-	(45,000)	-	377,200			
Ms. XU Fang	1,000,000	-	-	-	1,000,000	25 May 2010	25 February 2011 to 24 May 2016	3.462
	418,100	-	-	-	418,100	9 August 2011	9 May 2012 to 8 August 2017	6.472
	1,000,000	-	-	-	1,000,000	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
	2,628,100	-	-	-	2,628,100			

Interim Results

14. SHARE OPTION SCHEME (continued)

14.2 During the reporting period, outstanding share options of the directors of the Company, employees and those who have contributed or may contribute to the Group are as follows: (continued)

	Number of share options					Date of grant	Exercise period (both dates inclusive) (Note a)	Exercise price per share (HK\$)
	At 1 January 2014	Granted during the period	Exercised during the period	Lapsed during the period	At 30 June 2014			
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
	500,000	-	-	-	500,000			
Mr. LOOK Andrew	134,000	-	(67,000)	-	67,000	4 June 2012	4 March 2013 to 3 June 2018	2.740
	134,000	-	(67,000)	-	67,000			
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
	500,000	-	-	-	500,000			
Directors	1,459,510	-	(1,459,252)	-	258	5 July 2007	5 April 2008 to 4 July 2014	2.423
	1,320,000	-	(1,320,000)	-	-	11 March 2010	11 December 2010 to 10 March 2016	3.020
	6,966,667	-	(666,667)	-	6,300,000	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
	1,024,668	-	(139,368)	-	885,300	9 August 2011	9 May 2012 to 8 August 2017	6.472
	18,215,134	-	(3,300,965)	-	14,914,169	4 June 2012	4 March 2013 to 3 June 2018	2.740
	4,830,000	-	-	-	4,830,000	12 July 2013	12 April 2014 to 11 July 2019	3.790
Sub-total	38,458,084	-	(6,886,252)	-	31,571,832			

Interim Results

14. SHARE OPTION SCHEME (continued)

14.2 During the reporting period, outstanding share options of the directors of the Company, employees and those who have contributed or may contribute to the Group are as follows: (continued)

	Number of share options				At 30 June 2014	Date of grant	Exercise period (both dates inclusive) (Note a)	Exercise price per share (HK\$)
	At 1 January 2014	Granted during the period	Exercised during the period	Lapsed during the period				
Employees and those who have contributed or may contribute to the Group	8,070,493	-	(7,337,829)	(207)	732,457	5 July 2007	5 April 2008 to 4 July 2014	2.423
	9,717,334	-	(6,459,000)	-	3,258,334	11 March 2010	11 December 2010 to 10 March 2016	3.020
	2,222,000	-	(1,222,000)	-	1,000,000	25 May 2010	25 February 2011 to 24 May 2016	3.462
	3,144,988	-	(1,175,997)	(10,000)	1,968,991	3 May 2011	3 February 2012 to 2 May 2017	7.614
	3,847,537	-	-	-	3,847,537	9 August 2011	9 May 2012 to 8 August 2017	6.472
	21,376,280	-	(9,591,391)	(171,335)	11,613,554	4 June 2012	4 March 2013 to 3 June 2018	2.740
	37,436,000	-	(4,124,657)	(80,000)	33,231,343	12 July 2013	12 April 2014 to 11 July 2019	3.790
Sub-Total	85,814,632	-	(29,910,874)	(261,542)	55,642,216			
Total	124,272,716	-	(36,797,126)	(261,542)	87,214,048			

Interim Results

14. SHARE OPTION SCHEME (continued)

Notes:

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

	Date of Grant	Exercise Price Per Share (HK\$)	Exercise Period	Remark
(i)	5 July 2007	2.423	5 April 2008 to 4 July 2014; 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.	In 2013, the directors of the Company resolved to extend the share options period of the outstanding share options granted by the Company on 5 July 2007 to a period of 7 years from the share options grant date. As a result of this, the expiry date of the said share options were extended, and the new expiry date is 4 July 2014.
(ii)	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.	
(iii)	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.	
(iv)	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.	

Interim Results

14. SHARE OPTION SCHEME (continued)

Notes: (continued)

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

	Date of Grant	Exercise Price Per Share (HK\$)	Exercise Period	Remark
(v)	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.	
(vi)	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 accepted by and granted to 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.
(vii)	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, where the grantees have an option to choose from share options, awarded shares or a combination of both (if appropriate). A total of 42,286,000 share options were accepted by and granted to 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.

Interim Results

14. SHARE OPTION SCHEME (continued)

Notes: (continued)

- b. The weighted average share price at the date of exercise for share options exercised during the reporting period was HK\$8.96 (year ended 31 December 2013: HK\$6.30) per share.

As at 30 June 2014, the Company had 87,214,048 share options outstanding under the Old Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 87,214,048 additional ordinary shares of the Company. Total funds raised from exercise of the outstanding share options would be HK\$334,718,000 which represents additional share capital of HK\$87,214,000 and share premium of HK\$247,504,000 (before issue expenses).

15. SHARE AWARD SCHEME

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. The 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 vest with the relevant selected employees in accordance with the provisions of the Share Award Scheme B. On 17 March 2011, the Share Award Scheme B was amended by the Group, pursuant to which, as an alternative to purchase of shares on the market for any awards made under the Share Award Scheme B, the Board may allot and issue shares as awarded shares and has the discretion to decide whether the awarded shares are to be purchased or subscribed.

The trustee purchased 105,898,000 shares of the Company 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 of the Company at a total cost (including related transaction costs) of HK\$71,256,000 during the year ended 31 December 2011.

Under the Share Award Scheme B of the Company, shares of the Company 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 19,090,023 awarded shares were vested, in which a total of 6,862,266 awarded shares were vested through new issuance of shares and the remaining 12,227,757 awarded shares were vested through purchased shares by the trustee on the market under the Share Award Scheme B. The total cost of the related vested shares was HK\$53,047,000. As at 30 June 2014, the carrying amount of shares held for Share Award Scheme was HK\$12,739,000 (31 December 2013: HK\$65,786,000).

Interim Results

15. SHARE AWARD SCHEME (continued)

15.1 The following awarded shares were outstanding under the Share Award Scheme B of the Company during the reporting period:

Date of grant	Number of awarded shares				At 30 June 2014	Remaining vesting period (both dates inclusive) (Note b)	Fair value per share (HK\$)
	At 1 January 2014	Granted during the period	Vested during the period (Note a)	Lapsed during the period			
3 May 2011	541,524	-	(534,188)	(7,336)	-	N/A	7.10
9 August 2011	198,827	-	-	-	198,827	1 July 2014 to 9 August 2014	5.75
29 August 2011	722,396	-	(718,062)	(4,334)	-	N/A	4.62
4 June 2012	16,924,232	-	(8,337,773)	(274,007)	8,312,452	1 July 2014 to 4 June 2015	2.74
20 May 2014	-	9,500,000	(9,500,000)	-	-	N/A	7.35
Total	18,386,979	9,500,000	(19,090,023)	(285,677)	8,511,279		

Interim Results

15. SHARE AWARD SCHEME (continued)

15.2 During the reporting period, outstanding awarded shares of the directors of the Company, employees and those who have contributed or may contribute to the Group are as follows:

	Number of awarded shares				At 30 June 2014	Date of grant	Remaining vesting period (both dates inclusive) (Note b)	Fair value per share (HK\$)
	At 1 January 2014	Granted during the period	Vested during the period (Note a)	Lapsed during the period				
Executive Directors								
Mr. WANG Jiyang	198,827	-	-	-	198,827	9 August 2011	1 July 2014 to 9 August 2014	5.75
Sub-total	198,827	-	-	-	198,827			
Employees and those who have contributed or may contribute to the Group								
	541,524	-	(534,188)	(7,336)	-	3 May 2011	N/A	7.10
	722,396	-	(716,062)	(4,334)	-	29 August 2011	N/A	4.62
	16,924,232	-	(8,337,773)	(274,007)	8,312,452	4 June 2012	1 July 2014 to 4 June 2015	2.74
	-	9,500,000	(9,500,000)	-	-	20 May 2014	N/A	7.35
Sub-total	18,188,152	9,500,000	(19,090,023)	(285,677)	8,312,452			
Total	18,386,979	9,500,000	(19,090,023)	(285,677)	8,511,279			

Notes:

- a. During the reporting period under review, a total of 19,090,023 awarded shares were vested, in which a total of 6,862,266 awarded shares were vested through new issuance of shares and the remaining a total of 12,227,757 awarded shares were vested through purchased shares by the trustee on the market.

Interim Results

15. SHARE AWARD SCHEME (continued)

Notes: (continued)

- b. During the reporting period, the following awarded shares were effective under the Share Award Schemes B of the Company:

Date of Grant	Number of awarded shares granted	Vesting Period	Remark
3 May 2011	A maximum of 11,500,000 awarded shares offered by the Board to be awarded to designated employees under the Share Award Scheme B, among which a total of 1,962,482 awarded shares were accepted by the awardees.	3 May 2012 to 3 May 2014; one-third of the said awarded shares would be vested after the expiry of 1 year from the date of grant, a further one-third would be vested after the expiry of 2 years from the date of grant, and the remaining one-third would be vested after the expiry of 3 years from the date of grant.	Further details of the said awarded shares were set out in the announcements of the Company dated 3 May 2011 and 4 August 2011 respectively.
9 August 2011	The grant of 596,479 awarded shares approved by the Board to be awarded to a Director.	9 August 2012 to 9 August 2014; one-third of the said awarded shares would be vested after the expiry of 1 year from the date of grant, a further one-third would be vested after the expiry of 2 years from the date of grant, and the remaining one-third would be vested after the expiry of 3 years from the date of grant.	Further details of the said awarded shares were set out in the announcement of the Company dated 9 August 2011.
29 August 2011	The grant of 2,305,000 awarded shares approved by the Board to be awarded to designated employees.	1 May 2012 to 1 May 2014; one-third of the said awarded shares would be vested after the expiry of 8 months from the date of grant, a further one-third would be vested after the expiry of 20 months from the date of grant, and the remaining one-third would be vested after the expiry of 32 months from the date of grant.	
4 June 2012	A maximum of 40,000,000 awarded shares offered by the Board to be awarded to designated employees, among which a total of 27,000,000 awarded shares were accepted by the awardees.	4 June 2013 to 4 June 2015; one-third of the said awarded shares would be vested after the expiry of 1 year from the date of grant, a further one-third would be vested after the expiry of 2 years from the date of grant, and the remaining one-third would be vested after the expiry of 3 years from the date of grant.	Further details of the said awarded shares were set out in the announcement of the Company dated 4 June 2012.
20 May 2014	The grant of 9,500,000 awarded shares approved by the Board to be awarded to designated employees.	All of the said awarded shares were vested immediately on the date of grant, which was 20 May 2014	

Interim Results

16. CONTINGENT LIABILITIES

As at the end of the reporting period, the Group had no significant contingent liabilities (31 December 2013: Nil).

17. CAPITAL COMMITMENTS

As at 30 June 2014, the capital commitments of the Group were as follows:

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Property, plant and equipment:		
Contracted but not provided for	86,926	106,946

Interim Results

18. 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	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	<i>HK\$'000</i>
<hr/>		
Transactions with the ultimate holding company		
Brand management fee/TCL Brand Common Fund*	4,064	4,175
Purchases of raw materials**	8,787	38,683
Administration fee for purchase of raw materials**	35	214
Technology service expense	510	282
Rental charges**	5	1
Interest expenses	5,794	–
Research and development expenses**	22,224	–
Purchase of product**	129	–
Service expenses**	2,998	–
<hr/>		
Transactions with the immediate holding company		
Loans obtained	–	232,893
Interest expenses	–	663
<hr/>		
Transactions with fellow subsidiaries		
Purchases of raw materials**	769,109	337,535
Administration fee for purchases of raw materials**	2,042	889
Interest income	3,080	689
Rental charges**	15,167	11,815
Fees and commission charges	3	420
Sales of raw materials**	2,357	1,170
Sales of products and spare parts**	24,414	11,516
Purchases of products**	5,710	1,426
Service expenses**	3,296	8,021
Rental income**	4,820	–
Sales of fixed asset**	118	–

Interim Results

18. RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties (continued)

- * Brand management fee/TCL Brand Common Fund was charged on certain percentage of sales of products with “TCL” brand. The percentage was mutually agreed between two parties.
- ** The transactions with the related parties were made according to prices mutually agreed between related parties after arm’s length negotiation on normal commercial terms or on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties.

(b) Other transactions with related parties

- i. The Company’s ultimate holding company has guaranteed certain bank loans made to the Group of up to HK\$1,324,500,000 (31 December 2013: HK\$506,567,000) (note 11) as at the end of the reporting period.
- ii. On 24 April 2014, Huizhou TCL Mobile Communication Co., Ltd. (“Huizhou TCL Mobile”, a wholly-owned subsidiary of the Company) entered into an investment agreement to inject a total amount of RMB50,000,000 (equivalent to approximately HK\$62,990,000) to Huizhou Kuyu Network Technology Co., Ltd. (“Kuyu”, a fellow subsidiary of the Company, which is engaged in the on-line business of e-commerce) for acquisition of 10% of its equity interests. The injection has been fully paid in form of cash during the period.

(c) Commitments with related parties

- i. On 9 August 2012, 17 December 2012 and 26 March 2013, Huizhou TCL Mobile entered into construction management agreements ending April 2014, October 2014 and December 2015 respectively, with a fellow subsidiary of the Group, TCL Real Estate (Huizhou) Co., Ltd. (“TCL Real Estate”), pursuant to which Huizhou TCL Mobile appointed TCL Real Estate to provide construction management services for its two construction projects. During the period, the amount of service fees under the construction management agreements was RMB766,500 (equivalent to HK\$968,000). The total amount of services fees under the construction management agreements in future is estimated not to exceed RMB28,872,500 (equivalent to HK\$36,457,000). The service fees are determined on normal commercial terms and are reached after arm’s length negotiation.
- ii. On 26 June 2013, a strategic cooperation framework agreement was entered into between the Company and TCL Corporation which is effective from 1 July 2013 to 31 December 2015, pursuant to which TCL Corporation shall provide research and development service to the Company. During the period, the amount of research and development service fees under the agreement is RMB17,600,000 (equivalent to HK\$22,224,000). The total consideration under the agreement is estimated not to exceed RMB62,000,000 (equivalent to HK\$78,287,000) for 2014 and RMB93,000,000 (equivalent to HK\$117,431,000) for 2015 respectively. The service fees are determined on normal commercial terms and are reached after arm’s length negotiation.

Interim Results

18. RELATED PARTY TRANSACTIONS (continued)

(c) Commitments with related parties (continued)

- iii. 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 commitment related to these leasehold contracts are as follow:

Contract date	Leaser	Ending date of contract	Within one year HK\$'000
1 November 2013 to 19 May 2014	Shenzhen TCL Industrial Institute Ltd.	31 August 2014 to 31 December 2014	15,407
31 December 2013	TTE Technology, Inc.	31 December 2014	50
			15,457

(d) Outstanding balances with related parties

	Due from related companies		Due to related companies	
	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Current:				
Ultimate holding company	609	27,238	63,016	764,393
Fellow subsidiaries	36,029	21,415	294,119	332,048
	36,638	48,653	357,135	1,096,441

The balances are mainly trading balances, which are unsecured, interest-free and have no fixed terms of repayment, except for loan from a related company as at 31 December 2013 amounting to HK\$763,080,000, which is unsecured, interest-bearing at the effective contractual interest rate of 6.44% per annum and with a payment term of less than one year.

Interim Results

18. RELATED PARTY TRANSACTIONS (continued)

(e) Compensation of key management personnel of the Group

	For the six months ended	
	30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short term employee benefits	13,770	6,057
Post-employment benefits	1,180	880
Equity-settled share option and Share Award Scheme	9,035	10,091
Total compensation paid to key management personnel	23,985	17,028

The transactions with related parties above also constitute continuing connected transactions or connected transactions as defined in Chapter 14A of the Listing Rules.

19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of the Group's and the Company'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, amounts due from/to related companies, current interest-bearing bank borrowings, bank advances on factored trade receivables and current loan from a related company approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the management. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the management. The valuation 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.

Interim Results

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

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

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

At 30 June 2014, the available-for-sale investments of HK\$140,134,000 (31 December 2013: HK\$77,144,000) were unlisted equity investments and 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 cannot be reasonably assessed and used in estimating fair value.

The Group enters into Euro, GBP, RUB, MYR and BRL forward currency contracts, RMB non-deliverable forward currency contracts and interest rate swaps transactions with international banks with A and B credit ratings with Moody's. The RMB deliverable forward currency contracts involving derivative financial instruments are mainly with the biggest national 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 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 2014, the financial instruments measured at fair value held by the Group only include the derivative financial instruments which belong to hierarchy Level 2.

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 (30 June 2013: Nil).

Interim Results

20. APPROVAL OF THE INTERIM FINANCIAL REPORT

The condensed interim consolidated financial statements were approved and authorised for issue by the Board on 14 August 2014.

Management Discussion and Analysis

OPERATIONAL HIGHLIGHTS

- Sales volume of handsets and other products for the first half of 2014 totaled 29.9 million units, up 45% year-on-year (“y-o-y”).
- Sales volume of smartphones and other smart devices for the first half of 2014 increased by 220% y-o-y to 15.0 million units.
- Overall average selling price (“ASP”) increased from US\$39.8 in the first half of 2013 to US\$52.3 in the first half of 2014.
- Revenue for the first half of 2014 increased by 91% y-o-y to HK\$12.2 billion.
- Gross profit margin improved from 17.6% for the first half of 2013 to 19.5% for the first half of 2014.
- Net profit of HK\$441 million was recorded in the first half of 2014, compared with the net loss of HK\$209 million in the same period in 2013. Basic earnings per share increased to 36.70 HK cents from -18.29 HK cents for the corresponding period of the previous year.
- An interim dividend of 12.80 HK cents per ordinary share is recommended.

Management Discussion and Analysis

INDUSTRY OVERVIEW

In the first half of 2014, the global economy continued to grow at a modest pace. Consumer spending drove recovery in the United States while other major developed countries also started to pick up. The Eurozone exhibited sustainable recovery, but different parts of the region saw varying speeds of economic improvement. According to International Monetary Fund, emerging markets continued to serve as the world's economic growth engine and dominated global GDP growth.

International Data Corporation (IDC), the telecommunication research firm, stated that global smartphone shipments for the first quarter of 2014 grew by 28.6% to 281.5 million units. It forecasted that global smartphone shipments for the year will reach a total of 1.2 billion units by late 2014, marking a 19.3% increase from the 1.0 billion units shipped in 2013.

As fast replacement of feature phones by smartphones in emerging markets remains the key driver of smartphone growth, the global smartphone market started shifting from the developed to the emerging world. Emerging markets took up more than half of global smartphone market share according to IDC. Meanwhile, increased demand from customers for higher data rates has accelerated 4G network launches in mature markets driving the growth of 4G market globally. As the dynamics have changed for overall smartphone growth, so have the dynamics for smartphone pricing in the markets in order to reach the untapped demand within emerging markets.

The global tablet market grew by almost 4% year-on-year in the first quarter of 2014 and emerging markets will account for a larger percentage of the worldwide market share going forward. Tablets running Android maintained their lead and account for over 60% of global shipments in 2014 as projected by IDC.

The advancements in mobile applications have also been driving the demand for smart devices. The increasing popularity of consumer-centric mobile applications such as mobile payment, healthcare and other customized mobile services raises the demand for smart devices and establishes a strong foothold for substantial growth in the market.

Management Discussion and Analysis

BUSINESS REVIEW

For the six months ended 30 June 2014, the Group achieved encouraging and solid results. The Group's total sales volume of handsets and other products reached 29.9 million, representing an increase of 45% over the same period in 2013. A total of 27.1 million units were sold in overseas markets, while 2.8 million units were sold in the China market.

Despite the first half traditionally being the slowest season, demand for the Group's handsets remained strong. Sales volume of smartphones and other smart devices surged 220% year-on-year to 15.0 million units, and accounted for 50.2% of the Group's total sales volume, including 0.4 million units of 4G smart devices and tablets respectively. The overall ASP increased to US\$52.3 from US\$39.8 in the same period of prior year, which helped increase the Group's overall revenue to HK\$12.2 billion, representing a year-on-year growth of 91%. Leveraging solid and unique relationships with global tier-one carriers and distributors, the Group stood out in the market and is well positioned to ride the wave of smartphone growth. In the best performing market, the Americas, revenue for the first half in 2014 reported a 169% year-on-year surge while EMEA, APAC and China all recorded increases in revenue of 45%, 23% and 78% year-on-year respectively. Of particular note, the Group achieved breakthrough results in the United States and Mexico.

The Group has successfully shifted its business focus from feature phones to smartphones and reached a healthy margin of 19.5% in the first half of 2014 from 17.6% in the same period in 2013.

During the period under review, the Group continued to promote its brand and enhanced its product development so as to improve the competitiveness of the Group's product portfolio and sustain long-term development of its smartphone business, offering customers the best-in-class and high quality products. As a result, in the first half of 2014, the Group's research and development ("R&D") and selling and marketing expenses increased by 20% and 57% year-on-year to HK\$517 million and HK\$1 billion respectively. Due to the significant increase in sales volume during the period under review, the Group achieved notable economies of scale and improved operational efficiency. Through implementation of cost control measures, operating expenses as a percentage of revenue was lowered compared to that of the same period of prior year.

Management Discussion and Analysis

BUSINESS REVIEW (continued)

With sustainable smartphone sales increases and efficient execution across all businesses, the Group achieved an encouraging net profit of HK\$441 million for the first half of 2014, compared with the net loss of HK\$209 million in the first half of 2013. Basic earnings per share increased to 36.70 HK cents from -18.29 HK cents over the corresponding period of prior year. The Board of Directors recommended an interim dividend of 12.80 HK cents per ordinary share, making a payout ratio of 35% of the profit attributable to owners of the parent during this period.

During the period under review, the Group was selected as a constituent of the following indices in recognition of its outstanding performance: Hang Seng Global Composite Index (HKGCI), Hang Seng Broad Consumption Index (HKBCI), Hang Seng Composite Index, Hang Seng Composite Industry Index – Information Technology and Hang Seng Composite SmallCap Index.

Geographical Breakdown of Revenue

<i>(HK\$ Million)</i>	Sales of Handsets and Other Products		
	For the six months ended 30 June		
	2014	2013	Change (%)
Americas	6,284	2,338	+169%
EMEA	4,095	2,830	+45%
APAC	829	673	+23%
China	1,010	566	+78%
Total	12,218	6,407	+91%
Including: smartphones and other smart devices	9,655	3,659	+164%

Management Discussion and Analysis

BUSINESS REVIEW (continued)

Geographical Breakdown of Revenue (continued)

Americas

During the period under review, sales volume of handsets and other products to the Americas increased by 66% year-on-year to 15.4 million units, while revenue rose by 169% year-on-year to HK\$6.3 billion which accounted for 51% of the Group's total revenue. Sales volume of smartphones and other smart devices increased five-fold year-on-year to 7.2 million units for the first half of 2014, accounting for 47% of total shipment to the region.

Combined with continued marketing and promotion efforts, good relationships with operators as well as an optimized value proposition of products, the Group delivered a remarkable performance across the region. According to IDC, **ALCATEL ONETOUCH** ranked as the second largest mobile brand in the Latin America region; it was also positioned as the sixth in the United States in terms of the first quarter sales volume. The Group also successfully expanded its business in Canada and launched handsets with first-tier carrier. Significant inroads have been made into the Pacific Islands market through concerted efforts in marketing strategies and cooperation with regional operators. In particular, the Group recorded remarkable growth in sales in the United States and Colombia, where year-on-year sales volume increased by 124% and 196% respectively.

In addition, the Group participated in Consumer Electronics Show 2014 (CES) in Las Vegas in January to help in further enhancing brand awareness. The flagship product, **IDOL X+** was unveiled at CES and shortlisted as a finalist of "Best of CES 2014" for its outstanding product design and excellent user-experience.

Europe, the Middle East and Africa ("EMEA")

Sales volume of handsets and other products to the EMEA region for the period under review totaled 9.8 million units, up 36% year-on-year, with revenue increasing by 45% to HK\$4.1 billion, accounting for 34% of the Group's total revenue. Smartphone sales volume reached 5.2 million units with a 151% year-on-year growth, accounting for 54% of the total shipment to EMEA.

The Group continued to enhance and strengthen sales in the open market and via telecom operators. The demand for smartphones in the region remained strong and is expected to grow further in the second half of 2014. The Group also saw a transition to advanced smartphones with 4G being introduced in the region during the period. Tablets were well received with demand growth coming primarily from the operator channels. Growth of the tablet market in the region is expected to continue for the remainder of 2014.

Management Discussion and Analysis

BUSINESS REVIEW (continued)

Geographical Breakdown of Revenue (continued)

Europe, the Middle East and Africa (“EMEA”) (continued)

The Group continued to expand its presence into Russia and the Middle East & Africa countries in the first half of 2014 and recorded sales volume growth of 58% and 186% year-on-year in these two sub-regions respectively. The Group ranked the fourth in Eastern Europe region and Middle East & Africa region respectively in terms of sales volume. It also positioned the sixth in Russia.

Showcasing latest 4G smartphones and tablets at the Barcelona Mobile World Congress in February demonstrated the Group’s strong capability in 4G smart device development. The participation also further enhanced the brand and strengthened the relationship with global telecom carriers and distributors.

Asia Pacific (“APAC”)

In the first half of 2014, the sales volume of handsets and other products across the APAC region increased by 14% year-on-year to 1.9 million while revenue increased by 23% year-on-year to HK\$0.8 billion, accounting for 7% of the Group’s total revenue. Sales volume of smartphones and other smart devices grew by 31% year-on-year to 1.1 million units.

The Group significantly increased smartphone sales by deepening its market penetration via top-tier telecom operator channels across the region. During the period under review, the Group’s presence expanded into several APAC countries, including Singapore, Cambodia, Myanmar, Thailand and Indonesia. With an objective of establishing a wider business scope, the Group also set up its own entity stores in key countries in order to solidify the connections to operators and distributors. The Group also became the largest supplier of a tier-one telecom operator in the Philippines.

China

Sales volume of handsets and other products in China increased by 16% to 2.8 million units and revenue rose by 78% to HK\$1.0 billion, accounting for 8% of the Group’s total revenue for the first half of 2014. Sales volume of smartphones and other smart devices grew by 139% year-on-year to 1.5 million units.

During the period under review, the Group maintained close and stable relationships with major operators to capitalize on the development of 4G networks in the country. The Group achieved significant growth in sales of smartphones in the city of Chongqing and the provinces of Yunnan and Heilongjiang.

Management Discussion and Analysis

BUSINESS REVIEW (continued)

Geographical Breakdown of Revenue (continued)

China (continued)

Tapping opportunities from rapidly-emerging online retail channels, the recent launch of the iconic smartphone model **TCL P728M (摩麼嚶4G)** through its alliance with the online stores of China Mobile and Suning was a huge success. The Group also partnered with JD.com, the country's biggest B2C electronic commerce company, and Suning.com, to promote sales and brand awareness. To further explore opportunities through the O2O (Online-to-Offline) business model, the Group will dedicate more resources to e-commerce marketing channels, and deepen cooperation with operators and online retail portals in the second half of 2014, synchronizing its marketing strategies.

R&D

The Group devoted to research and development throughout the years with the aim of providing customers with innovative, advanced and well-designed smart devices. During the period under review, the Group partnered with Hong Kong Science and Technology Parks Corporation to set up an international research and development base in Phase Three of Hong Kong Science Park. The move will allow the Group to capitalize on resources and strengths provided in research and development at Hong Kong Science Park to further enhance its R&D capabilities and product competitiveness.

In line with its "Step-up" product strategy, the Group launched a series of new products with cutting-edge features during the first half of 2014, 65% of product portfolio in 2014 is 4G enabled. These new products were well-received by the market, and ensured the Group was better recognized as a key player in the smart devices industry. As mobile internet market is under rapid expansion, Mobile Internet Emerging Business Unit is set up to capture opportunities in software, applications and internet content via implementation of the "Double +" strategy. User experiences of products could be further enhanced by consolidating resources via developing mobile internet value-added services such as application software, games, push content, etc. The Group also set up TCL mobile internet ecosystem on the back of our research and development for the smart cloud, which in turn the Group is building into a new "Product + Services" business model. The long-term goal is to become a leading mobile application developer, integrator and service provider.

Management Discussion and Analysis

BUSINESS REVIEW (continued)

R&D (continued)

In the overseas markets, the Group unveiled a number of widely applauded and award-winning smartphone models, including **IDOL 2S** and **IDOL 2 MINI S**, featuring respectively a 5-inch display and an extraordinarily slim design with a 4.5-inch display. The launch of the first True Octa-Core smartphone, **IDOL X+**, marked another success. This model features a 5-inch high-definition display and a best-in-class Hi-Fi decoder chip. The flagship product, **IDOL X+** was unveiled at CES and shortlisted as a finalist of “Best of CES 2014” for its outstanding product design and excellent user-experience.

In China, various 4G handsets including the latest flagship **TCL P688L**, featuring a quad-core processor and a 5.5-inch One Glass Solution (OGS) display, debuted at Tianyi Mobile Fair & Mobile Internet Forum in Nanjing. A great amount of positive feedbacks was given at these exhibitions on the excellent design and features of these smartphone models.

On the top of the numerous new smartphones on offer, the Group also introduced a number of new tablets to the market. For instance, **POP 8**, the flagship tablet with a rimless design and **POP 7**, the lightest 3G tablet, were rated Top Ten devices at CES. In addition the introduction of the ULC (Ultra-Low Cost) tablets **PIXI 7** and **POP 7S** with ultra-speed 4G connectivity provided wider choices to the mass market.

Manufacturing Facility

In order to satisfy the growing demand for premium-quality products, a new base of global manufacturing facilities with world-class-standard technologies, automation and product quality had been established at Huizhou, Guangdong province in 2013. Construction of phase two was completed in June 2014. The Group expects its maximum annual production capacity to increase from 65 million units to 120 million units.

Marketing and Brand Building

During the period under review, the Group further enhanced its brand awareness with the **SMART MOVE** philosophy, which aims to create a closer, more emotive and smarter relationship between the brand and customers. Through concert sponsorships, community projects and establishment of concept stores, the Group has successfully deepened its market penetration.

TCL Corporation partnered with Twentieth Century Fox as the presenting sponsor of eight premieres of the movie “*X-Men: Days of Future Past*” around the world. Through influential international blockbusters like the *X-Men* series, TCL has successfully showcased its innovation and projected a youthful, dynamic and international brand image.

Management Discussion and Analysis

BUSINESS REVIEW (continued)

Marketing and Brand Building (continued)

The Group continued strengthening its market position by restating the five brand elements, namely simple, unexpected, down to earth, irreverent and colorful.

In April 2014, **ALCATEL ONETOUCH** sponsored the ten-concert of “*Where We Are Tour 2014*” of the British band *One Direction* across Latin America. The feedback was positive which raised brand awareness in the region. At the same time, in order to improve global brand recognition, **ALCATEL ONETOUCH** started a worldwide selfie competition. The campaign inspired millions to participate and was very positively received by the market. The campaign greatly increased interactions and communications between the brand and customers. It helped further strengthen the Group’s global brand recognition.

OUTLOOK

Reaping the benefits from the impressive progress made during the first half of 2014 in the areas of the “Step-up” product strategy, investments in R&D, brand building and sales channel development, the Group is confident about sustaining the present growth momentum. Despite prevailing risks and uncertainties in the global economy, the Group expects the strong demand for smart devices will help to secure its position in the industry.

As the smartphone growth focus is shifting to emerging markets, demand for mid to low end smartphones is expected to continue to grow in the second half of 2014. To address emerging market needs, both entry-level and mid-range products will be introduced in the second half of 2014. Meanwhile the gradual 4G service roll out by operators in mature market will further stimulate 4G smartphone demand. More products with 4G capabilities will be introduced in the second half of 2014 and majority annual R&D resources will be for 4G device development. Appropriate measures such as multiple sourcing and strategic storing-up of certain key components will be implemented to secure adequate component supply during the peak season in the second half of 2014. The Group will continue consolidating relationship with operators and strengthening open channels. With all these, the Group is confident that its smartphone strategy will lead the Group to a sustained healthy financial performance.

Regarding tablet business, the Group will continue to expand the sector by leveraging the success of its smartphone strategy. Five new tablet models ranging from mid to low end segment will be launched to the market in the second half of 2014, of which four are 3G/4G equipped models. Following the successful launch of our super light-weight 3G tablets in January, the Group will introduce the lightest 10-inch 4G tablet and anticipates its tablet business will become a major growth driver in 2014.

Management Discussion and Analysis

OUTLOOK (continued)

In order to seize e-commerce opportunities and widen open channels, the Group will continue to dedicate efforts to its “Double +” business strategy – “Intelligence + Internet” and “Product + Services” to further deepening its market penetration. The group will endeavor to strengthen its branding via digital platforms.

The Group expects that growth momentum will continue in the smart device business during the second half of the year, the traditional peak season for the handset industry. Riding on successes in shifting its focus from feature phones to smartphones, and in strengthening its R&D and product design capabilities, the Group maintains its annual revenue growth target as stated in the first quarter in 2014.

Looking ahead, in order to establish a solid footing for sustainable growth, the Group will continue to adhere to its proven “Step-up” product strategy, while focusing on improvements in operational efficiency, thus further bolstering the Group’s business performance with the aim of maximizing return for shareholders of the Company.

FINANCIAL REVIEW

Results

For the six months ended 30 June 2014, the Group’s unaudited consolidated revenue amounted to HK\$12,218 million (six months ended 30 June 2013: HK\$6,407 million), representing a year-on-year increase of 91% as compared to the same period last year.

The Group’s gross profit margin increased to 19.5% from 17.6% in the same period of last year.

EBITDA and profit attributable to owners of the parent were HK\$582 million (six months ended 30 June 2013: LBITDA of HK\$144 million) and HK\$431 million respectively (six months ended 30 June 2013: loss attributable to owners of the parent of HK\$207 million). Basic earnings per share were 36.70 HK cents (six months ended 30 June 2013: basic loss per share of 18.29 HK cents).

Inventory

For the current period, the Group’s inventory (including factory inventory only) turnover period was 39 days (year ended 31 December 2013: 39 days).

Management Discussion and Analysis

FINANCIAL REVIEW (continued)

Trade Receivables

Credit period ranged from 30 to 180 days on average and the trade receivable (excluding factored trade receivables) turnover period was 67 days for the current period (year ended 31 December 2013: 63 days).

Significant Investments and Acquisitions

On 24 April 2014, Huizhou TCL Mobile entered into an investment agreement to inject a total amount of RMB50,000,000 (equivalent to approximately HK\$62,990,000) to Kuyu for acquisition of 10% of its equity interests. The injection has been fully paid in form of cash during the period.

Except for the above transaction, there has been no other significant investment and acquisition for the six months ended 30 June 2014 and up to the date of approval of this interim report.

Fund Raising

There had been no fund raising for the six months ended 30 June 2014 and up to the date of approval of this interim report.

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 2014 amounted to HK\$519 million, of which 41% were in RMB, 17% in United States dollars ("USD"), 10% in Euro and 32% in Hong Kong dollars and other currencies for the operations. The Group's total interest-bearing borrowings as at 30 June 2014 were HK\$3,837 million, in which the interest-bearing bank borrowings were HK\$3,393 million and bank advances on factored trade receivables were about HK\$444 million. The Group's financial position remained healthy with equity attributable to owners of the parent of HK\$3,287 million as at 30 June 2014 (31 December 2013: HK\$2,909 million). The Group had a gearing ratio of 23% as at the end of the period under review (31 December 2013: 25%). The gearing ratio is calculated based on the Group's total interest-bearing borrowings over total assets.

Management Discussion and Analysis

FINANCIAL REVIEW (continued)

Pledge of Deposits

Deposit balance of HK\$1,548 million (31 December 2013: HK\$1,698 million) represented the pledged deposit for interest-bearing bank borrowings, banking facilities and other financial instruments of HK\$1,513 million (31 December 2013: HK\$1,638 million) and retention guarantee for factored trade receivables of HK\$35 million (31 December 2013: HK\$60 million).

Capital Commitments and Contingent Liabilities

As at 30 June 2014, the capital commitments of the Group were as follows:

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Property, plant and equipment:		
Contracted but not provided for	86,926	106,946

The Group had no significant contingent liabilities as at 30 June 2014 (31 December 2013: Nil).

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, where the revenue is predominated in Euro, Brazilian real, Pound sterling, Malaysian ringgit, Russian rouble, USD and RMB. 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 over 14,000 employees as at 30 June 2014. Total staff costs for the period under review were HK\$848 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 2014, 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 (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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

(A) Interests in the Company – Long Positions

Name of Director	Number of ordinary shares held			Number of underlying shares held under equity derivatives	Total	Approximate percentage of issued share capital of the Company
	Personal interests	Family interests	Other interests (Note i)	(Note ii)		
LI Dongsheng	39,771,008	-	-	11,841,913	51,612,921	4.28%
GUO Aiping	2,213,293	-	-	8,745,086	10,958,379	0.91%
WANG Jiyang	1,854,117	-	198,827	5,896,498	7,949,442	0.66%
HUANG Xubin	-	-	-	1,016,035	1,016,035	0.08%
YAN Xiaolin	22,000	-	-	377,200	399,200	0.03%
XU Fang	-	-	-	2,628,100	2,628,100	0.22%
LAU Siu Ki	144,177	-	-	500,000	644,177	0.05%
LOOK Andrew	-	-	-	67,000	67,000	0.01%
KWOK Hoi Sing	-	-	-	500,000	500,000	0.04%

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 Director	Number of ordinary shares held		Number of underlying shares held under equity derivatives	Total	Approximate percentage of issued share capital of TCL Corp.
	Personal interests	Family interests			
LI Dongsheng	638,273,688	–	–	638,273,688	6.75%
WANG Jiyang	–	–	517,120	517,120	0.01%
HUANG Xubin	1,933,360	–	1,450,020	3,383,380	0.04%
YAN Xiaolin	793,000	–	1,522,400	2,315,400	0.02%
XU Fang	–	–	1,015,020	1,015,020	0.01%

(C) Interests in Associated Corporation of the Company – Long Positions*TCL Multimedia (Note iv)*

Name of Director	Number of ordinary shares held			Number of underlying shares held under equity derivatives	Total	Approximate percentage of issued share capital of TCL Multimedia
	Personal interests	Family interests	Other interests			
LI Dongsheng	39,205,526	4,000,000	275,205	3,535,289	47,016,020	3.53%
WANG Jiyang	4,000,000	–	–	–	4,000,000	0.30%
HUANG Xubin	60,560	–	–	708,711	769,271	0.06%
YAN Xiaolin	34,600	–	–	283,467	318,067	0.02%
XU Fang	108,760	–	–	1,134,900	1,243,660	0.09%

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 vi)

Name of Director	Number of ordinary shares held		Number of underlying shares held under equity derivatives	Total	Approximate percentage of issued share capital of Tonly Electronics
	Personal interests	Family interests			
LI Dongsheng	3,537,979	253,800	–	3,791,779	2.28%
HUANG Xubin	4,325	–	–	4,325	0.003%
XU Fang	7,768	–	–	7,768	0.005%

Notes:

- i. The shares are awarded shares granted to Mr. WANG Jiyang under the Share Award Scheme B of the Company and were not vested as at 30 June 2014. Further details of the awarded shares during the period under review were set out in note 15 to the financial statements.
- ii. These equity derivatives were the share options granted to the Directors under the Old Share Option Scheme of the Company. Further details of the share options during the period under review were set out in note 14 to the financial statements.
- 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.
- 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: 01070), and controlled by TCL Corp., is a subsidiary of TCL Corp.
- v. The shares are awarded shares granted to Mr. LI Dongsheng under the restricted share award scheme of TCL Multimedia and were not vested as at 30 June 2014.
- vi. Tonly Electronics Holdings Limited ("Tonly Electronics"), a company incorporated in the Cayman Islands with its shares listed on the Stock Exchange (stock code: 01249), and controlled by TCL Corp., is a subsidiary of TCL Corp.

Other Information

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

Save as disclosed above, as at 30 June 2014, 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 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2014, the interests and short positions of the persons other than a Director or chief executive of the Company in shares and underlying shares as recorded in the register of interests 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 shares capital	Notes
TCL Corp.	Interest of controlled corporation	591,408,000	49.03%	i
BNP Paribas Jersey Nominee Company Limited	Interest of Nominee for another person (other than a bare trustee)	84,275,000	6.99%	ii
BNP Paribas Jersey Trust Corporation Limited	Interest of Trustee (other than a bare trustee)	84,275,000	6.99%	ii
Cheah Capital Management Limited	Interest of controlled corporation	84,275,000	6.99%	ii
Cheah Cheng Hye	Interest of founder of a discretionary trust	84,275,000	6.99%	ii

Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES (continued)

Name	Type of interest	Interest in shares and underlying shares held	Approximate percentage of the issued shares capital of the Company	Notes
Cheah Company Limited	Interest of controlled corporation	84,275,000	6.99%	ii
To Hau Yin	Interest of child under 18 or spouse	84,275,000	6.99%	ii
Value Partners Group Limited	Interest of controlled corporation	84,275,000	6.99%	ii

Notes:

- i. Under the SFO, as at 30 June 2014, TCL Corp. was deemed to be interested in 591,408,000 shares of the Company held by T.C.L. Industries Holdings (H.K.) Limited ("T.C.L. Industries"), a direct wholly-owned subsidiary of TCL Corp. Such percentage is calculated based on aforesaid amount disclosed on the website of Stock Exchange, and the issued share capital of the Company as at 30 June 2014. The Company has been notified by TCL Corp. that the holding of T.C.L. Industries as at 30 June 2014 was 600,850,000 shares of the Company. However, the increase of such holding did not give rise to any disclosure obligation under the SFO.
- ii. Under the SFO, as at 30 June 2014, aforesaid shareholders were deemed to be interested in aforesaid amount of shares of the Company. Their shareholding percentages are calculated based on aforesaid amounts disclosed on the website of Stock Exchange, and the issued share capital of the Company as at 30 June 2014.

Save as disclosed above, there is no person (not being a Director or chief executive of the Company) known to the Directors or chief executive of the Company, who, as at 30 June 2014, had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Other Information

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

CODE ON CORPORATE GOVERNANCE PRACTICES

None of the Directors of the Company is aware of any information which would reasonably indicate that the Company had not, during the six months ended 30 June 2014, fully complied with the code provisions (the "Code Provisions") set out in the Corporate Governance Code and Corporate Governance Report ("CG Code") as set out in Appendix 14 to the Listing Rules except for the deviation from Code Provisions A.6.7, D.1.4, E.1.2, and F.1.1. The reasons for the deviation from the Code Provision D.1.4 and F.1.1 remain the same as those stated in the Company's 2013 annual report.

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

Due to respective pre-arranged business commitments which must be attended to by certain directors, Mr. HUANG Xubin, Mr. YAN Xiaolin and Ms. XU Fang, all being non-executive directors of the Company, were not present at annual general meeting of the Company held on 28 April 2014. However, Mr. LAU Siu Ki, Mr. LOOK Andrew and Mr. KWOK Hoi Sing, all of whom being independent non-executive directors of the Company, were present at the said annual general meeting to ensure an effective communication with the shareholders thereat.

2) Under Code Provision E.1.2, the chairman of the board should attend the annual general meeting.

Due to other pre-arranged business commitments which must be attended to by him, Mr. LI Dongsheng, the Chairman, was not present at the annual general meeting held on 28 April 2014. However, Mr. GUO Aiping, being an executive director and the chief executive officer of the Company, was present at the said annual general meeting and was elected the chairman thereof pursuant to the Company's Articles of Association to ensure an effective communication with the shareholders thereat.

Other Information

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code as set out in Appendix 10 to the Listing Rules. Specific enquiries have been made with all Directors of the Company 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 Company has an audit committee (the "Audit Committee") for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The interim results have been reviewed by the Audit Committee established in compliance with Rule 3.21 of the Listing Rules and the relevant Code Provisions of the CG Code as set out in Appendix 14 to the Listing Rules.

The Audit Committee comprises four members, including Mr. LAU Siu Ki (Chairman), Mr. LOOK Andrew and Mr. KWOK Hoi Sing, all being independent non-executive Directors of the Company, and Mr. HUANG Xubin, a non-executive Director of the Company.

CHANGES OF PARTICULARS OF THE DIRECTORS

Certain Particulars of the following Directors have been changed in the following respects which are required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules:

Mr. LAU Siu Ki, an independent non-executive Director, has been appointed as an independent supervisor (獨立監事) of Beijing Capital International Airport Co., Ltd. (stock code: 00694) on 30 June 2014.

Mr. LOOK Andrew, an independent non-executive Director, has been appointed as an independent non-executive Director of Hung Fook Tong Group Holdings Limited (stock code: 01446) on 11 June 2014.

INTERIM DIVIDEND

The Board has resolved to declare the payment of an interim dividend of 12.80 HK cents (first half of 2013: Nil) in cash per ordinary share for the period ended 30 June 2014. The interim dividend will be paid to the shareholders whose names appear on the register of members of the Company (the "Register of Members") at the close of business at 4:30 p.m. on 1 September 2014, Monday. The interim dividend will be paid on or about 17 September 2014, Wednesday.

Other Information

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 29 August 2014, Friday to 1 September 2014, Monday (both dates inclusive), for the purpose of determining the entitlements of the shareholders of the Company to the interim dividend. No transfer of shares may be registered during the said period. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on 28 August 2014, Thursday.

On behalf of the Board

LI Dongsheng

Chairman

Hong Kong
14 August 2014