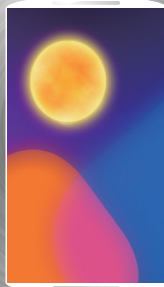


INTERIM
REPORT
2015



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. LI Dongsheng (*Chairman*)

Mr. GUO Aiping

Mr. WANG Jiyang

Mr. Nicolas Daniel Bernard ZIBELL

(Appointed on 15 July 2015)

Non-executive Directors

Mr. HUANG Xubin

Mr. YAN Xiaolin (*Resigned on 15 July 2015*)

Ms. XU Fang (*Resigned on 21 May 2015*)

Mr. LIAO Qian (*Appointed on 21 May 2015*)

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 (*Resigned on 21 May 2015*)

Mr. LIAO Qian (*Appointed on 21 May 2015*)

NOMINATION COMMITTEE

Mr. KWOK Hoi Sing (*Chairman*)

Mr. LAU Siu Ki

Mr. LOOK Andrew

Ms. XU Fang (*Resigned on 21 May 2015*)

Mr. LIAO Qian (*Appointed on 21 May 2015*)

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

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Hong Kong

Industrial and Commercial Bank of China Limited

No.55, FuXingMenNei Street

Xicheng District

Beijing

PRC

Corporate Information

SOLICITORS

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

AUDITORS

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

PRINCIPAL SHARE REGISTRAR

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

BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
Level 22, Hopewell Centre
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REGISTERED OFFICE

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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

Cornerstones Communications Ltd.
19/F, Oriental Crystal Commercial Building
46 Lyndhurst Terrace
Central
Hong Kong

TICKER SYMBOL

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

WEBSITE

<http://tclcom.tcl.com>

Interim Results

The Board of Directors (the “Board”) of TCL Communication Technology Holdings Limited (the “Company”) announced the unaudited condensed consolidated results and financial position of the Company and its subsidiaries (collectively, the “Group”) for the three months and six months ended 30 June 2015, with comparative figures for the same periods of 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 2015 (Unaudited) HK\$'000	Six months ended 30 June 2014 (Unaudited) HK\$'000	Three months ended 30 June 2015 (Unaudited) HK\$'000	Three months ended 30 June 2014 (Unaudited) HK\$'000
	Notes				
REVENUE	3	13,226,923	12,217,878	6,537,390	6,677,223
Cost of sales		(10,672,255)	(9,836,934)	(5,260,892)	(5,383,253)
Gross profit		2,554,668	2,380,944	1,276,498	1,293,970
Other income and gains	3	381,646	208,975	226,790	112,168
Research and development costs		(812,744)	(517,010)	(392,713)	(261,957)
Selling and distribution costs		(897,164)	(1,032,653)	(446,072)	(567,112)
Administrative expenses		(621,073)	(527,364)	(306,359)	(292,586)
Other operating expenses		(66,768)	(9,112)	(43,980)	6,687
Finance costs	4	(68,835)	(42,387)	(33,684)	(17,942)
Share of (loss)/profit of associates		(1,791)	(408)	(750)	39
Share of loss of a joint venture		(636)	–	(636)	–
PROFIT BEFORE TAX	5	467,303	460,985	279,094	273,267
Income tax expense	6	(13,718)	(20,356)	(10,936)	(12,871)
PROFIT FOR THE PERIOD		453,585	440,629	268,158	260,396

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 2015 (Unaudited) HK\$'000	Six months ended 30 June 2014 (Unaudited) HK\$'000	Three months ended 30 June 2015 (Unaudited) HK\$'000	Three months ended 30 June 2014 (Unaudited) HK\$'000
Note				
Attributable to:				
Owners of the parent	452,667	430,862	267,706	254,217
Non-controlling interests	918	9,767	452	6,179
	453,585	440,629	268,158	260,396
EARNINGS PER SHARE				
ATTRIBUTABLE TO				
ORDINARY EQUITY				
HOLDERS OF THE PARENT				
8				
Basic	36.58 HK cents	36.70 HK cents	21.41 HK cents	21.40 HK cents
Diluted	36.01 HK cents	35.06 HK cents	21.06 HK cents	20.46 HK cents

Interim Results

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June

	Six months ended 30 June 2015 (Unaudited) HK\$'000	Six months ended 30 June 2014 (Unaudited) HK\$'000	Three months ended 30 June 2015 (Unaudited) HK\$'000	Three months ended 30 June 2014 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	453,585	440,629	268,158	260,396
OTHER COMPREHENSIVE (LOSS)/INCOME				
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:				
An available-for-sale investment:				
Changes in fair value	4,958	–	2,106	–
Cash flow hedges:				
Effective portion of changes in fair value of hedging instruments arising during the period	157,153	(98,917)	(52,190)	(17,537)
Reclassification adjustment for (gains)/loss included in the consolidated statement of profit or loss	(308,879)	23,576	(141,891)	37,346
Income tax effect	(22,588)	17,863	(22,588)	17,863
	(174,314)	(57,478)	(216,669)	37,672
Exchange differences on translation of foreign operations	(61,663)	(47,202)	40,270	11,198
Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods	(231,019)	(104,680)	(174,293)	48,870
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	(231,019)	(104,680)	(174,293)	48,870
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	222,566	335,949	93,865	309,266
Attributable to:				
Owners of the parent	221,648	326,182	93,413	303,087
Non-controlling interests	918	9,767	452	6,179
	222,566	335,949	93,865	309,266

Interim Results

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		1,456,197	1,439,029
Investment properties		51,506	43,117
Prepaid land lease payments		114,032	116,086
Other intangible assets		1,518,411	1,260,093
Goodwill		253,954	253,954
Investment in associates		50,616	52,925
Investment in a joint venture		14,539	–
Available-for-sale investments		232,694	227,738
Deferred tax assets		293,165	297,641
Other non-current assets		14,580	–
Total non-current assets		3,999,694	3,690,583
CURRENT ASSETS			
Inventories		2,912,298	3,293,292
Trade receivables	9	7,215,426	7,872,681
Factored trade receivables		235,033	371,380
Notes receivable		26,074	95,546
Prepayments, deposits and other receivables		1,682,448	1,492,170
Due from related companies	18(d)	102,296	62,382
Tax recoverable		28,899	11,111
Derivative financial instruments		234,149	419,240
Pledged deposits	10	1,555,399	1,914,380
Cash and cash equivalents	10	493,288	473,391
Total current assets		14,485,310	16,005,573
CURRENT LIABILITIES			
Interest-bearing bank borrowings	11	2,532,789	3,940,791
Trade and notes payables	12	5,780,029	5,166,744
Bank advances on factored trade receivables		235,033	371,380
Other payables and accruals		4,558,593	4,953,416
Derivative financial instruments		113,933	49,391
Provision for warranties		400,797	462,500
Due to related companies	18(d)	308,638	416,086
Tax payable		9,997	47,717
Total current liabilities		13,939,809	15,408,025
NET CURRENT ASSETS		545,501	597,548
TOTAL ASSETS LESS CURRENT LIABILITIES		4,545,195	4,288,131

Interim Results

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

		30 June	31 December
		2015	2014
		(Unaudited)	(Audited)
	<i>Notes</i>	HK\$'000	HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		4,545,195	4,288,131
NON-CURRENT LIABILITIES			
Retirement indemnities		4,437	4,827
Long service medals		1,854	2,017
Interest-bearing bank borrowings	11	193,803	–
Deferred tax liabilities		124,774	102,205
Total non-current liabilities		324,868	109,049
Net assets		4,220,327	4,179,082
EQUITY			
Equity attributable to owners of the parent			
Issued capital	13	1,259,188	1,220,766
Shares held for Share Award Scheme		(796)	(9,629)
Reserves		2,714,304	2,559,353
Proposed dividend		161,197	318,358
		4,133,893	4,088,848
Non-controlling interests		86,434	90,234
Total equity		4,220,327	4,179,082

Interim Results

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Attributable to owners of the parent															Non-controlling interests	Total equity
	Issued share capital	Share premium account	Shares held for Share Award Scheme	Awarded shares reserve	Share option reserve	Hedging reserve	Contributed surplus	Statutory reserve	Other reserve	Exchange fluctuation reserve	Proposed dividend	Retained profits	Total				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 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																	
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 awarded 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)		
2014 interim dividend proposed	-	-	-	-	-	-	-	-	-	-	154,961	(154,961)	-	-	-		
At 30 June 2014 (unaudited)	1,206,124	544,476*	(12,739)	7,767*	92,808*	(74,913)**	232,555*	293,075*	(130,177)**	315,147*	154,961	657,584*	3,286,688	15,257	3,301,945		

Interim Results

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended 30 June 2015

	Attributable to owners of the parent															Non-controlling interests	Total equity
	Issued share capital	Share premium account	Shares held for			Share option reserve	Hedging reserve	Contributed surplus	Statutory reserve	Available-for-sale investment revaluation reserve	Exchange fluctuation		Proposed dividend	Retained profits	Total		
			Share Award Scheme	Awarded shares reserve	Share						Other	fluctuation					
			HK\$'000	HK\$'000	HK\$'000						HK\$'000	HK\$'000					
At 1 January 2015 (audited)	1,220,766	546,272	(9,629)	18,454	86,920	226,008	232,555	382,649	(5,938)	(129,988)	206,439	318,358	1,015,982	4,088,848	90,234	4,179,082	
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	-	452,667	452,667	918	453,585	
Other comprehensive loss for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Changes in fair value of available-for-sale investment, net of tax	-	-	-	-	-	-	-	-	4,958	-	-	-	-	4,958	-	4,958	
Cash flow hedges, net of tax	-	-	-	-	-	(174,314)	-	-	-	-	-	-	-	(174,314)	-	(174,314)	
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	-	-	(61,663)	-	-	(61,663)	-	(61,663)	
Total comprehensive income for the period	-	-	-	-	-	(174,314)	-	-	4,958	-	(61,663)	-	452,667	221,648	918	222,566	
Exercise of share options	32,821	136,616	-	-	(47,016)	-	-	-	-	-	-	-	-	122,421	-	122,421	
Issue of new shares under Share Award Scheme	5,601	9,746	-	(15,347)	-	-	-	-	-	-	-	-	-	-	-	-	
Reclassification of lapsed share options	-	285	-	-	(285)	-	-	-	-	-	-	-	-	-	-	-	
Equity-settled share option arrangements	-	-	-	-	10,826	-	-	-	-	-	-	-	-	10,826	-	10,826	
Share Award Scheme arrangements	-	-	-	15,246	-	-	-	-	-	-	-	-	-	15,246	-	15,246	
Reclassification of vested awarded shares	-	(3,474)	8,833	(5,359)	-	-	-	-	-	-	-	-	-	-	-	-	
Share of changes of equity of a joint venture	-	-	-	-	-	-	-	-	-	25	-	-	-	25	-	25	
Transfer from retained profits	-	-	-	-	-	-	-	7,721	-	-	-	-	(7,721)	-	-	-	
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,718)	(4,718)	
2014 final dividend declared	-	(6,783)	-	-	-	-	-	-	-	-	-	(318,358)	-	(325,121)	-	(325,121)	
2015 interim dividend proposed	-	(161,197)	-	-	-	-	-	-	-	-	-	161,197	-	-	-	-	
At 30 June 2015 (unaudited)	1,259,188	521,485*	(796)	12,994*	50,445*	51,694*	232,555*	370,370*	(980)*	(129,963)*	144,776*	161,197	1,460,928*	4,133,893	86,434	4,220,327	

* These reserve accounts comprise the consolidated reserves of HK\$2,714,304,000 (30 June 2014: HK\$1,938,342,000) 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	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Net cash flows from operating activities	2,186,146	966,343
Net cash flows used in investing activities	(1,044,046)	(924,914)
Net cash flows (used in)/from financing activities	(1,194,129)	334,197
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(52,029)	375,626
Cash and cash equivalents at beginning of period	473,391	142,008
Effect of foreign exchange rate changes, net	71,926	1,751
CASH AND CASH EQUIVALENTS AT END OF PERIOD	493,288	519,385
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS:		
Cash and cash equivalents as stated in the consolidated statement of financial position	493,288	519,385

Interim Results

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed interim consolidated financial statements are prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial period and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), “Accounts and Audit”, which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. Except for the changes in relation to the following revised HKAS that affect the Group and are adopted for the first time for the current period’s financial statements, 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 2014. The financial statements have been prepared under the historical cost convention, except for the forward contracts, interest rate swaps and a listed equity investment 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 revised HKAS

Amendments to HKAS 19

Defined Benefit Plans: Employee Contributions

The adoption of the above revised standard has had no significant financial effect on these financial statements.

Interim Results

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, and rendering of services. All of the Group's products or services are of a similar nature and subject to similar risk and returns.

Geographical information

- (a) Revenue from external customers

	For the six months ended 30 June	
	2015	2014
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
South America	3,999,841	3,685,279
North America	3,222,079	2,598,871
Europe	2,974,939	3,059,089
The Middle East and Africa	1,503,040	1,036,296
China	1,160,203	1,009,947
Asia Pacific	366,821	828,396
	13,226,923	12,217,878

The revenue information 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 are 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 and services rendered during the period, after deducting allowances for returns and trade discounts.

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

	For the six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue		
Sale of mobile phones and other products and rendering of services	13,226,923	12,217,878
Other income and gains		
Interest income	40,246	29,878
Gross rental income	5,777	4,833
Subsidy income*	49,932	12,374
Value-added-tax ("VAT") refunds**	126,317	133,515
Processing income	3,947	19,896
Exchange gain, net	131,281	1,531
Gain on deemed disposal of investment in an associate (note 5)	–	1,755
Gain on disposal of items of property, plant and equipment	2,202	–
Dividend income from available-for-sale investments	731	589
Others	21,213	4,604
	381,646	208,975

* 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 2015 and 2014, 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	
	2015	2014
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Interest on loans wholly repayable within three years	59,015	37,618
Interest on discounted notes and factored trade receivables*	9,820	4,769
	68,835	42,387

* The effective interest rate of factored trade receivables is 0.13% (six months ended 30 June 2014: 0.15%) per month.

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2015	2014
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Cost of inventories sold	10,672,255	9,836,934
Depreciation of property, plant and equipment	121,816	83,611
Depreciation of investment properties	969	–
Amortisation of prepaid land lease payment	1,048	1,202
Amortisation of computer software, intellectual property and ALCATEL brand licence	36,083	23,543
Research and development costs:		
Deferred expenditure amortised	615,243	442,761
Current period expenditure	197,501	74,249
	812,744	517,010
Brand management fee/TCL Brand Common Fund	1,071	4,064
Minimum lease payments under operating leases in respect of land and buildings	67,238	45,659
(Reversal of)/provision for impairment loss of trade receivables	(1,076)	1,106
(Gain)/loss on disposal of items of property, plant and equipment	(2,202)	115
Gain on deemed disposal of investment in an associate (note 3)	–	(1,755)

Interim Results

6. INCOME TAX EXPENSE

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

	For the six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Current		
Charge for the period:		
The PRC	8,904	8,327
France	9,342	10,662
Italy	35	–
Russia	2,168	1,823
The United States	69	–
(Overprovision)/underprovision in prior periods	(3,471)	1,924
	17,047	22,736
Deferred	(3,329)	(2,380)
Tax charge for the period	13,718	20,356

Interim Results

7. DIVIDENDS

	For the six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Proposed interim – 12.80 HK cents (six months ended 30 June 2014: 12.80 HK cents) per ordinary share	161,197	154,961

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

The calculation of the basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,237,628,651 (six months ended 30 June 2014: 1,174,048,697 shares) in issue during the period.

The calculation of the diluted earnings per share is based on the profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the weighted average number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued on the deemed exercise or conversion of all the dilutive potential ordinary shares into ordinary shares.

Interim Results

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

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

	For the six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<hr/>		
Profit		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	452,667	430,862
	<hr/>	
	Number of shares For the six months ended 30 June	
	2015	2014
	<hr/>	
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	1,237,628,651	1,174,048,697
Effect of dilution – weighted average number of ordinary shares:		
Share options	18,459,817	48,992,302
Awarded shares	874,533	5,783,512
	<hr/>	
	19,334,350	54,775,814
	<hr/>	
	1,256,963,001	1,228,824,511
	<hr/>	

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 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Within 3 months	5,749,669	6,497,374
4 to 12 months	1,406,679	1,360,026
Over 12 months	78,284	35,640
	7,234,632	7,893,040
Impairment	(19,206)	(20,359)
	7,215,426	7,872,681

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 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Cash and bank balances	493,288	473,391
Pledged deposits	1,555,399	1,914,380
	2,048,687	2,387,771
Less: Pledged deposits		
– for factored trade receivables	36,929	56,370
– for interest-bearing bank borrowings, banking facilities and other financial instruments	1,518,470	1,858,010
Cash and cash equivalents	493,288	473,391

As at 30 June 2015, the cash and bank balances and pledged deposits of the Group denominated in Renminbi (“RMB”) amounted to HK\$1,684,556,000 (31 December 2014: HK\$2,014,328,000). 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\$250,573,000 (31 December 2014: HK\$311,035,000) placed with TCL Finance Company Limited (a fellow subsidiary of the Group), which is a financial institution approved by the People’s Bank of China. The effective interest rate for these deposits was 0.15% – 3.12% (2014: 0.15% – 3.12%) per annum, being the saving rate offered by the People’s Bank of China.

Interim Results

11. INTEREST-BEARING BANK BORROWINGS

	30 June 2015		31 December 2014	
	Maturity (Year)	HK\$'000 (Unaudited)	Maturity (Year)	HK\$'000 (Audited)
Current				
Bank borrowings – unsecured	2015	606,677	2015	1,021,391
Bank borrowings – secured*	2015-2016	1,926,112	2015	2,919,400
		2,532,789		3,940,791
Non-current				
Bank borrowing – secured*	2018	193,803		–
		2,726,592		3,940,791
			30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Analysed into:				
Bank borrowings:				
Within one year or on demand		2,532,789		3,940,791
In the third to fifth years, inclusive		193,803		–
		2,726,592		3,940,791

* The Group's secured interest-bearing bank borrowings are bank advance comprising (i) bank borrowings of HK\$1,129,023,000 (31 December 2014: HK\$1,530,506,000) which are secured by the pledge of certain of the Group's time deposits amounting to HK\$1,406,068,000 (31 December 2014: HK\$1,689,187,000); (ii) bank borrowings of HK\$990,892,000 (31 December 2014: HK\$1,388,240,000) (note 18(b)) which are guaranteed by TCL Corporation (the ultimate holding company of the Company); (iii) bank borrowings of HK\$654,000 which are secured by certain of the Group's machinery amounting to HK\$2,179,000 at 31 December 2014. There was no similar bank borrowing secured by machinery at 30 June 2015.

Interim Results

11. INTEREST-BEARING BANK BORROWINGS (continued)

The effective contractual interest rate for the bank borrowings ranged from 0.73% to 15.08% (2014: 0.53% to 6.00%) per annum.

As at 30 June 2015, the Group's interest-bearing borrowings of HK\$596,784,000 were denominated in Brazilian real ("BRL") and the others were denominated in United States dollars.

As at 30 June 2014, the Group's interest-bearing borrowings of HK\$654,000, HK\$35,035,000, HK\$321,101,000 and HK\$13,667,000 were denominated in RMB, Euro, BRL and Canadian dollars, respectively, and the others were 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 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Within 6 months	5,696,904	5,130,897
7 to 12 months	52,014	20,721
Over 12 months	31,111	15,126
	5,780,029	5,166,744

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 2014, 31 December 2014, 1 January 2015 and 30 June 2015	2,000,000,000	2,000,000	
Issued and fully paid or credited as fully paid:			
As at 1 January 2014	1,162,460,227	1,162,460	417,664
Exercise of share options	51,439,915	51,440	173,433
Issue of new shares under Share Award Scheme	6,866,266	6,866	14,749
Reclassification of lapsed share options	–	–	636
Reclassification of vested awarded shares	–	–	24,494
2014 final dividend proposed	–	–	(84,704)
As at 31 December 2014 and 1 January 2015	1,220,766,408	1,220,766	546,272
Exercise of share options*	32,820,147	32,821	136,616
Issue of new shares under Share Award Scheme**	5,601,158	5,601	9,746
Reclassification of lapsed share options	–	–	285
Reclassification of vested awarded shares	–	–	(3,474)
2014 final dividend declared	–	–	(6,763)
2015 interim dividend proposed	–	–	(161,197)
As at 30 June 2015	1,259,187,713	1,259,188	521,485

* During the six months ended 30 June 2015, 32,820,147 share options were exercised at subscription prices ranging from HK\$2.740 to HK\$7.614 per share, resulting in the issue of 32,820,147 ordinary shares of par value HK\$1 each for a total cash consideration of HK\$122,421,000.

** During the six months ended 30 June 2015, under Share Award Scheme of the Company, 5,601,158 ordinary shares of par value HK\$1 each were issued at no consideration.

Interim Results

14. SHARE OPTION SCHEME

The Company has adopted two share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of these two share option schemes include employees (including executive directors, non-executive directors and independent non-executive directors), advisers, consultants, agents, contractors, clients, suppliers and any other person(s) whom the Board, 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 should expire on 12 September 2014. In order to enable the Company to continue to grant share options to eligible participants, including Directors, as incentives or rewards for their contributions to the Group, as well as to attract and retain the participants, the Directors recommended to the shareholders of the Company at the annual general meeting ("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 in advance, such termination being effective from the conclusion of the AGM held on 28 April 2014. On 28 April 2014, the adoption of the New Share Option Scheme and termination of Old Share Option Scheme were both approved by the shareholders of the Company. The share options granted under the Old Share Option Scheme prior to its termination would continue to be valid and exercisable in accordance with the rules of the Old Share Option Scheme. The New Share Option Scheme would 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 is, upon 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 upon exercise of the 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 at 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 shares of the Company (the "Share") 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.

Interim Results

14. SHARE OPTION SCHEME (continued)

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

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

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

The total number of the Shares that could be issued upon exercise of (i) all outstanding share options; and (ii) all share options that could be granted under the then available scheme mandate limit as at 31 December 2014 and 30 June 2015 was 191,135,953 Shares and 158,164,466 Shares respectively, which represented about 15.66% and 12.56% of the issued shares of the Company as at 31 December 2014 and 30 June 2015 respectively.

As at 30 June 2015, the Company had a total of 40,985,275 share options outstanding under the Old Share Option Scheme and the New 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 40,985,275 additional ordinary shares of the Company. Total funds raised from exercise of the outstanding share options would be HK\$177,706,000 which represents additional share capital of HK\$40,985,000 and share premium of HK\$136,721,000 (before issue expenses). No share options were cancelled during the six months ended 30 June 2015.

Interim Results

14. SHARE OPTION SCHEME (continued)

Further details of the Old Share Option Scheme and New Share Option Scheme are as follows:

14.1 As at 30 June 2015, the following share options were outstanding under the Old Share Option Scheme and New Share Option Scheme:

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 2015	Granted during the period	Exercised during the period	Lapsed during the period	At 30 June 2015		
11 March 2010	2,913,334	-	(2,397,000)	-	516,334	11 December 2010 to 10 March 2016	3.020
25 May 2010	4,700,000	-	(4,121,900)	-	578,100	25 February 2011 to 24 May 2016	3.462
3 May 2011	6,126,764	-	(212,000)	(50,000)	5,864,764	3 February 2012 to 2 May 2017	7.614
9 August 2011	4,732,637	-	(4,348,837)	-	383,800	9 May 2012 to 8 August 2017	6.472
4 June 2012	19,890,436	-	(10,709,090)	(334)	9,181,012	4 March 2013 to 3 June 2018	2.740
12 July 2013	33,606,015	-	(11,031,320)	(101,006)	22,473,689	12 April 2014 to 11 July 2019	3.790
21 May 2015	-	1,987,576	-	-	1,987,576	31 December 2015 to 20 May 2021	8.390
Total	71,969,186	1,987,576	(32,820,147)	(151,340)	40,985,275		

Interim Results

14. SHARE OPTION SCHEME (continued)

14.2 As at 30 June 2015, the outstanding share options of the Directors and their associates, employees of the Company and those who have contributed or may contribute to the Group are as follows:

	Number of share options					At 30 June 2015	Date of grant	Exercise period (both dates inclusive) (Note a)	Exercise price per share (HK\$)	
	At 1 January 2015	Granted during the period	Exercised during the period	Lapsed during the period	Re- classified					
Executive Directors										
Mr. LI Dongsheng	2,400,000	-	(2,400,000)	-	-	-	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	
	-	532,545	-	-	-	532,545	21 May 2015	31 December 2015 to 20 May 2021	8.390	
	9,241,913	532,545	(6,854,545)	-	-	2,919,913				
Mr. GUO Aiping	3,094,737	-	-	-	-	3,094,737	3 May 2011	3 February 2012 to 2 May 2017	7.614	
	3,970,091	-	-	-	-	3,970,091	4 June 2012	4 March 2013 to 3 June 2018	2.740	
	1,680,000	-	-	-	-	1,680,000	12 July 2013	12 April 2014 to 11 July 2019	3.790	
	-	666,800	-	-	-	666,800	21 May 2015	31 December 2015 to 20 May 2021	8.390	
		8,744,828	666,800	-	-	-	9,431,628			
Mr. WANG Jiyang	2,136,498	-	(2,136,498)	-	-	-	4 June 2012	4 March 2013 to 3 June 2018	2.740	
	1,124,000	-	(564,000)	-	-	560,000	12 July 2013	12 April 2014 to 11 July 2019	3.790	
	-	260,469	-	-	-	260,469	21 May 2015	31 December 2015 to 20 May 2021	8.390	
		3,260,498	260,469	(2,700,498)	-	-	820,469			

Interim Results

14. SHARE OPTION SCHEME (continued)

14.2 As at 30 June 2015, the outstanding share options of the Directors and their associates, employees of the Company and those who have contributed or may contribute to the Group are as follows: (continued)

	Number of share options					At 30 June 2015	Date of grant	Exercise period (both dates inclusive) (Note a)	Exercise price per share (HK\$)
	At 1 January 2015	Granted during the period	Exercised during the period	Lapsed during the period	Re- classified				
Non-executive Directors									
Mr. HUANG Xubin	806,035	-	-	-	-	806,035	4 June 2012	4 March 2013 to 3 June 2018	2,740
	210,000	-	-	-	-	210,000	12 July 2013	12 April 2014 to 11 July 2019	3,790
	-	121,230	-	-	-	121,230	21 May 2015	31 December 2015 to 20 May 2021	8,390
	1,016,035	121,230	-	-	-	1,137,265			
Mr. YAN Xiaolin (Note c)	167,200	-	(167,000)	-	-	200	9 August 2011	9 May 2012 to 8 August 2017	6,472
	210,000	-	(140,000)	-	-	70,000	12 July 2013	12 April 2014 to 11 July 2019	3,790
	-	115,933	-	-	-	115,933	21 May 2015	31 December 2015 to 20 May 2021	8,390
	377,200	115,933	(307,000)	-	-	186,133			
Ms. XU Fang (Note d)	1,000,000	-	(721,900)	-	(278,100)	-	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
	-	77,088	-	-	(77,088)	-	21 May 2015	31 December 2015 to 20 May 2021	8,390
	2,628,100	77,088	(1,140,000)	-	(1,565,188)	-			
Mr. LIAO Qian	-	32,601	-	-	-	32,601	21 May 2015	31 December 2015 to 20 May 2021	8,390
	-	32,601	-	-	-	32,601			

Interim Results

14. SHARE OPTION SCHEME (continued)

14.2 As at 30 June 2015, the outstanding share options of the Directors and their associates, employees of the Company and those who have contributed or may contribute to the Group are as follows: (continued)

	Number of share options					At 30 June 2015	Date of grant	Exercise period (both dates inclusive) (Note a)	Exercise price per share (HK\$)
	At 1 January 2015	Granted during the period	Exercised during the period	Lapsed during the period	Re- classified				
Independent									
Non-executive Directors									
Mr. LAU Si Ki	300,000	-	-	-	-	300,000	25 May 2010	25 February 2011 to 24 May 2016	3.462
	200,000	-	-	-	-	200,000	4 June 2012	4 March 2013 to 3 June 2018	2.740
	-	17,045	-	-	-	17,045	21 May 2015	31 December 2015 to 20 May 2021	8.390
	500,000	17,045	-	-	-	517,045			
Mr. LOOK Andrew	-	17,045	-	-	-	17,045	21 May 2015	31 December 2015 to 20 May 2021	8.390
	-	17,045	-	-	-	17,045			
Mr. KWOK Hoi Sing	300,000	-	-	-	-	300,000	9 August 2011	9 May 2012 to 8 August 2017	6.472
	200,000	-	-	-	-	200,000	4 June 2012	4 March 2013 to 3 June 2018	2.740
	-	17,045	-	-	-	17,045	21 May 2015	31 December 2015 to 20 May 2021	8.390
	500,000	17,045	-	-	-	517,045			
Directors	-	-	-	-	-	-	11 March 2010	11 December 2010 to 10 March 2016	3.020
	3,700,000	-	(3,121,900)	-	(278,100)	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
	885,300	-	(585,100)	-	-	300,200	9 August 2011	9 May 2012 to 8 August 2017	6.472
	12,767,169	-	(6,581,043)	-	(1,000,000)	5,176,126	4 June 2012	4 March 2013 to 3 June 2018	2.740
	4,274,000	-	(704,000)	-	(210,000)	3,360,000	12 July 2013	12 April 2014 to 11 July 2019	3.790
	-	1,877,801	-	-	(77,088)	1,800,713	21 May 2015	31 December 2015 to 20 May 2021	8.390
Sub-total	26,268,574	1,877,801	(11,002,043)	-	(1,565,188)	15,579,144			

Interim Results

14. SHARE OPTION SCHEME (continued)

14.2 As at 30 June 2015, the outstanding share options of the Directors and their associates, employees of the Company 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 2015	Granted during the period	Exercised during the period	Lapsed during the period	Re- classified	At 30 June 2015			
Employees and those who have contributed or may contribute to the Group	2,913,334	-	(2,397,000)	-	-	516,334	11 March 2010	11 December 2010 to 10 March 2016	3.020
	1,000,000	-	(1,000,000)	-	278,100	278,100	25 May 2010	25 February 2011 to 24 May 2016	3.462
	1,484,659	-	(212,000)	(50,000)	-	1,222,659	3 May 2011	3 February 2012 to 2 May 2017	7.614
	3,847,337	-	(3,763,737)	-	-	83,600	9 August 2011	9 May 2012 to 8 August 2017	6.472
	7,123,267	-	(4,118,047)	(334)	1,000,000	4,004,886	4 June 2012	4 March 2013 to 3 June 2018	2.740
	29,332,015	-	(10,327,320)	(101,006)	210,000	19,113,689	12 July 2013	12 April 2014 to 11 July 2019	3.790
	-	109,775	-	-	77,088	186,863	21 May 2015	31 December 2015 to 20 May 2021	8.390
Sub-Total	45,700,612	109,775	(21,618,104)	(151,340)	1,565,188	25,406,131			
Total	71,969,186	1,987,576	(32,820,147)	(151,340)	-	40,985,275			

Interim Results

14. SHARE OPTION SCHEME (continued)

Notes:

- a. For the six months ended 30 June 2015, the following share options were effective under the Old Share Option Scheme and the New Share Option Scheme:

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

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14. SHARE OPTION SCHEME (continued)

Notes: (continued)

- a. For the six months ended 30 June 2015, the following share options were effective under the Old Share Option Scheme and the New Share Option Scheme: (continued)

	Date of Grant	Exercise Price Per Share (HK\$)	Exercise Period	Remark
(v)	4 June 2012	2.740	4 March 2013 to 3 June 2018; one-third of these share options are exercisable after the expiry of 9 months from the date of grant, a further one-third are exercisable after the expiry of 18 months from the date of grant, and the remaining one-third are exercisable after the expiry of 27 months from the date of grant.	A maximum of 75,000,000 share options under the Old Share Option Scheme were offered by the Company, where the grantees have an option to choose from share options, awarded shares or a combination of both (if appropriate), subject to the acceptance of the grantees. 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. Further details of the said share options were set out in the announcement of the Company dated 4 June 2012.
(vi)	12 July 2013	3.790	12 April 2014 to 11 July 2019; one-third of these share options are exercisable after the expiry of 9 months from the date of grant, a further one-third are exercisable after the expiry of 18 months from the date of grant, and the remaining one-third are exercisable after the expiry of 27 months from the date of grant.	A maximum of 48,503,700 share options under the Old Share Option Scheme were offered by the Company, subject to acceptance of the grantees. A total of 42,286,000 share options were accepted by and granted to the grantees, among which a total of 4,830,000 share options were granted to the Directors. Further details of the said share options were set out in the announcement of the Company dated 12 July 2013.
(vii)	21 May 2015	8.390	31 December 2015 to 20 May 2021: one-third of these share options are exercisable from 31 December 2015; a further one-third are exercisable from 31 December 2016, and the remaining one-third are exercisable from 31 December 2017.	A maximum of 17,000,000 share options under the New Share Option Scheme were offered by the Company, where the grantees were offered share options and awarded shares in a combination of both, subject to the acceptance of the grantees. A total of 1,987,576 share options were accepted by and granted to the grantees, among which a total of 1,748,776 share options were granted to the Directors. Further details of the said share options were set out in the announcements of the Company dated 21 May 2015, 26 May 2015 and 15 July 2015 respectively.

Interim Results

14. SHARE OPTION SCHEME (continued)

Notes: (continued)

- b. The weighted average share price at the date of exercise for share options exercised for the six months ended 30 June 2015 was HK\$8.28 (year ended 31 December 2014: HK\$8.98) per share.
- c. Mr. YAN Xiaolin would resign on 15 July 2015 as a Non-executive Director.
- d. Ms. XU Fang has resigned on 21 May 2015 as a Non-executive Director, and was granted by the Company with share options to subscribe a total of 77,088 shares of the Company on the same day as those who have contributed to the Group.

15. SHARE AWARD SCHEME

The Company operates two share award schemes for the purpose of provide incentives to employees. 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"). The Share Award Scheme B aims at providing incentives to employees and retaining and encouraging 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 were vested 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 allotted and issued. On 21 May 2015, the Share Award Scheme B was further amended by the Group, pursuant to which, the scope of its eligible participants was broadened from employees to include not only employees but also advisers, consultants, agents, contractors, clients or suppliers of any member of the Group or any other person whom any committee or sub-committee or person(s) delegated with the power and authorised by the Board to administer Share Award Scheme B in its sole discretion considers may contribute or have contributed to the Group.

The Company has appointed BOCI-Prudential Trustee Limited as the trustee (the "Trustee") for the administration of the Share Award Scheme B. To the knowledge and belief of the Company, the Trustee is an independent third party to the Company. No one, including the Trustee, may exercise any voting rights in respect of the awarded shares held by the Trustee.

Interim Results

15. SHARE AWARD SCHEME (continued)

As at 30 June 2015, 70,073,120 further awarded shares might be granted to the eligible participants of the Share Award Scheme B, which represented about 5.56% of the issued shares of the Company as at 30 June 2015.

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

Under the Share Award Scheme B, the Shares would be transferred to the employees by the Trustee or through allotment and issuance of shares at nil consideration upon vesting. For the six months ended 30 June 2015, a total of 7,556,902 awarded shares were vested, in which a total of 5,601,158 awarded shares were vested through new allotment and issuance of shares and the remaining 1,955,744 awarded shares were vested through purchase of shares by the Trustee on the market under the Share Award Scheme B. The total cost of the related vested shares was HK\$6,656,663. As at 30 June 2015, the carrying amount of Shares held for Share Award Scheme was HK\$796,000 (31 December 2014: HK\$9,629,000).

15.1 As at 30 June 2015, the following awarded shares were outstanding under the Share Award Scheme B:

Date of grant	Number of awarded shares				At 30 June 2015	Remaining vesting period (both dates inclusive) (Note b)	Fair value per share (HK\$)
	At 1 January 2015	Granted during the period	Vested during the period (Note a)	Lapsed during the period			
4 June 2012	7,672,574	-	(7,556,902)	(115,672)	-	N/A	2.74
21 May 2015	-	874,533	-	-	874,533	1 July 2015 to 31 December 2017	8.20
Total	7,672,574	874,533	(7,556,902)	(115,672)	874,533		

Interim Results

15. SHARE AWARD SCHEME (continued)

15.2 As at 30 June 2015, the outstanding awarded shares of the Directors and their associates, employees of the Company and those who have contributed or may contribute to the Group are as follows:

	Number of awarded shares					At 30 June 2015	Date of grant	Remaining vesting period (both dates inclusive) (Note b)	Fair value per share (HK\$)
	At 1 January 2015	Granted during the period	Vested during the period (Note a)	Lapsed during the period	Re- classified				
Executive Directors									
Mr. LI Dongsheng	-	234,319	-	-	-	234,319	21 May 2015	1 July 2015 to 31 December 2017	8.20
Mr. GUO Aiping	-	302,192	-	-	-	302,192	21 May 2015	1 July 2015 to 31 December 2017	8.20
Mr. WANG Jiyang	-	114,606	-	-	-	114,606	21 May 2015	1 July 2015 to 31 December 2017	8.20
Non-executive Directors									
Mr. HUANG Xubin	-	53,341	-	-	-	53,341	21 May 2015	1 July 2015 to 31 December 2017	8.20
Mr. YAN Xiaolin (Note c)	-	51,011	-	-	-	51,011	21 May 2015	1 July 2015 to 31 December 2017	8.20
Ms. XU Fang (Note d)	-	33,919	-	-	(33,919)	-	21 May 2015	1 July 2015 to 31 December 2017	8.20
Mr. LIAO Qian	-	14,344	-	-	-	14,344	21 May 2015	1 July 2015 to 31 December 2017	8.20
Independent									
Non-executive Directors									
Mr. LAU Siu Ki	-	7,500	-	-	-	7,500	21 May 2015	1 July 2015 to 31 December 2017	8.20
Mr. LOCK Andrew	-	7,500	-	-	-	7,500	21 May 2015	1 July 2015 to 31 December 2017	8.20
Mr. KWOK Hoi Sing	-	7,500	-	-	-	7,500	21 May 2015	1 July 2015 to 31 December 2017	8.20
Sub-total	-	826,232	-	-	(33,919)	792,313			

Interim Results

15. SHARE AWARD SCHEME (continued)

15.2 As at 30 June 2015, the outstanding awarded shares of the Directors and their associates, employees of the Company and those who have contributed or may contribute to the Group are as follows: (continued)

	Number of awarded shares					At 30 June 2015	Date of grant	Remaining vesting period (both dates inclusive) (Note b)	Fair value per share (HK\$)
	At 1 January 2015	Granted during the period	Vested during the period (Note a)	Lapsed during the period	Re- classified				
Employees and those who have contributed or may contribute to the Group	7,672,574	-	(7,556,902)	(115,672)	-	-	4 June 2012	N/A	2.74
	-	48,301	-	-	33,919	82,220	21 May 2015	1 July 2015 to 31 December 2017	8.20
Sub-total	7,672,574	48,301	(7,556,902)	(115,672)	33,919	82,220			
Total	7,672,574	874,533	(7,556,902)	(115,672)	-	874,533			

Notes:

- For the six months ended 30 June 2015, a total of 7,556,902 awarded shares were vested, in which a total of 5,601,158 awarded shares were vested through new allotment and issuance of shares and the remaining total of 1,955,744 awarded shares were vested through purchase of shares by the Trustee on the market.

Interim Results

15. SHARE AWARD SCHEME (continued)

Notes: (continued)

- b. For the six months ended 30 June 2015, the following awarded shares were effective under the Share Award Scheme B:

Date of Grant	Number of awarded shares granted	Vesting Period	Remark
4 June 2012	A maximum of 40,000,000 awarded shares offered by the Company to be awarded to selected employees, among which a total of 27,000,000 awarded shares were accepted by the awardees.	4 June 2012 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.
21 May 2015	A maximum of 16,000,000 awarded shares offered by the Company to be awarded to selected employees, among which a total of 874,533 awarded shares were accepted by the awardees.	21 May 2015 to 31 December 2017; one-third of these awarded shares will be vested on 31 December 2015, a further one-third will be vested on 31 December 2016, and the remaining one-third will be vested on 31 December 2017.	Further details of the said awarded shares were set out in the announcements of the Company dated 21 May 2015, 26 May 2015 and 15 July 2015 respectively.

- c. Mr. YAN Xiaolin would resign on 15 July 2015 as an Non-executive Director.
- d. Ms. XU Fang has resigned on 21 May 2015 as an Non-executive Director, and was granted by the Company with a total of 33,919 awarded shares of the Company on the same day as those who have contributed to the Group.

16. CONTINGENT LIABILITIES

As at the end of the reporting period, the Group had no significant contingent liabilities (31 December 2014: Nil).

17. CAPITAL COMMITMENTS

As at 30 June 2015, the capital commitments of the Group were as follows:

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Contracted, but not provided for:		
Property, plant and equipment	338,444	7,103
Capital contributions payable to an associate	77,521	123,217
Capital contributions payable to a joint venture	30,432	–
	446,397	130,320

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	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<hr/>		
Transactions with the ultimate holding company		
Brand management fee/TCL Brand Common Fund*	1,071	4,064
Purchases of raw materials**	773	8,787
Administration fee for purchases of raw materials**	3	35
Technology service expenses	606	510
Rental charges**	1,579	5
Interest expenses	–	5,794
Interest income	1	–
Research and development expenses**	26,962	22,224
Purchases of product**	53	129
Service expenses**	5	2,998
<hr/>		
Transactions with fellow subsidiaries		
Purchases of raw materials**	671,229	769,109
Administration fee for purchases of raw materials**	1,805	2,042
Interest income	5,652	3,080
Rental charges**	24,861	15,167
Fees and commission charges	462	3
Sales of raw materials**	2,474	2,357
Sales of products and spare parts**	49,183	24,414
Purchases of products**	1,496	5,710
Service expenses**	4,509	3,296
Rental income**	4,766	4,820
Sales of fixed assets**	–	118
Service income**	278	–
Purchases of fixed assets**	323	–
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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

The Company’s ultimate holding company has guaranteed certain bank loans made to the Group of up to HK\$990,892,000 (31 December 2014: HK\$1,388,240,000) (note 11) as at the end of the reporting period.

(c) Commitments with related parties

- i. On 9 August 2012, 17 December 2012 and 26 March 2013, Huizhou TCL Mobile Communication Co., Ltd. (“Huizhou TCL Mobile”, a wholly-owned subsidiary of the Company) entered into construction management agreements 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. On 6 January 2014, a supplemental agreement was entered into among Huizhou TCL Mobile, TCL Real Estate and TCL Industrial Park Property Management (Huizhou) Ltd. (“TCL Property Management (Huizhou)”, a fellow subsidiary of the Group), pursuant to which the parties agreed, with effective from 6 January 2014, TCL Property Management (Huizhou) replaced TCL Real Estate and became one of the contract parties of the construction management agreement, continued to fulfill the responsibilities and obligations, also was entitled to enjoy relevant rights and interests. During the period, the amount of service fees under the construction management agreements was RMB301,000 (equivalent to HK\$381,000). The total amount of services fees under the construction management agreements in future is estimated not to exceed RMB27,971,000 (equivalent to HK\$35,383,000). 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)

- 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 was RMB21,314,000 (equivalent to HK\$26,962,000). The total consideration under the agreement is estimated not to exceed RMB93,000,000 (equivalent to HK\$117,645,000) for 2015. The service fees are determined on normal commercial terms and are reached after arm's length negotiation.
- iii. On 9 October 2014, Best Status Enterprises Limited (a wholly-owned subsidiary of the Company) entered into a shareholder agreement to inject a total amount of US\$16,000,000 (equivalent to HK\$124,034,000) to Reachfull Investment Limited, which was for the purpose of developing the public enterprise cloud services platform with Cisco Systems (Switzerland) GmbH, for subscription of 25% of its equity interests by 3 tranches. The first tranche subscription of US\$6,000,000 (equivalent to HK\$47,000,000) has been fully paid in form of cash in 2014. The remaining two tranches subscription of US\$10,000,000 (equivalent to HK\$77,521,000) will be paid in form of cash in the near future.
- iv. On 11 November 2014, Prosper Fortune Enterprises Limited ("Prosper Fortune", a wholly-owned subsidiary of the Company), entered into a joint venture agreement with two fellow subsidiaries of the Group, Sino Leader (Hong Kong) Limited and Crown Capital Enterprises Limited, to inject a total amount of RMB36,000,000 (equivalent to HK\$45,648,000) to TCL Smart Home Technologies Co., Limited, which was for the purpose of developing the business of smart home products and services, for subscription of 40% of its equity interests by two tranches. During the period, the amount of capital injected by Prosper Fortune under the joint venture agreement was RMB12,000,000 (equivalent to HK\$15,150,000). The remaining subscription of RMB24,000,000 (equivalent to HK\$30,432,000) will be paid in form of cash in the near future.
- v. On 21 May 2015, Shenzhen TCL Cloud Technology Co Ltd ("Shenzhen TCL Cloud", a wholly-owned subsidiary of the Company) entered into a club membership acquisition agreement with Shenzhen TCL Optoelectronic Tech Co. Ltd ("Shenzhen TCL Optoelectronic", a fellow subsidiary of the Group), to acquire club membership interests at a total consideration of RMB284,526,000 (equivalent to HK\$359,925,000) from Shenzhen TCL Optoelectronic. During the period, the amount paid under the club membership acquisition agreement was RMB20,000,000 (equivalent to HK\$25,300,000). For the remaining consideration, RMB122,263,000 (equivalent to HK\$154,662,000) and RMB142,263,000 (equivalent to HK\$179,963,000) will be paid in form of cash before 30 September 2015 and in 24 monthly instalments from October 2015 to September 2017, respectively.

Interim Results

18. RELATED PARTY TRANSACTIONS (continued)

(c) Commitments with related parties (continued)

- vi. 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	Expected rental expenses within one year HK\$'000	Expected rental expenses second to fifth years, inclusive HK\$'000
1 January 2015 to 16 April 2015	Shenzhen TCL Industrial Institute Ltd.	31 December 2015	25,984	–
1 September 2014	TCL Corporation	31 August 2017	3,153	3,679
			29,137	3,679

(d) Outstanding balances with related parties

	Due from related companies		Due to related companies	
	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Current:				
Ultimate holding company	14,567	522	3,951	345
Fellow subsidiaries	87,729	61,860	304,687	415,741
	102,296	62,382	308,638	416,086

The balances are mainly trading balances, which are unsecured, interest-free and have no fixed terms of repayment.

Interim Results

18. RELATED PARTY TRANSACTIONS (continued)

(e) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short term employee benefits	7,497	13,770
Post-employment benefits	992	1,180
Equity-settled share option and Share Award Scheme	1,948	9,035
Total compensation paid to key management personnel	10,437	23,985

All of the transactions with related parties above also constitute continuing connected transactions or connected transactions as defined in Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and all the applicable requirements under Chapter 14A of the Listing Rules have been complied with.

All of the transactions with related parties as set out in note 43 to the financial statements under the heading "Related Parties Transactions" in the Group's annual report for the year ended 31 December 2014 published on 25 March 2015 also constitute continuing connected transactions or connected transactions as defined in Chapter 14A of the Listing Rules and all the applicable requirements under Chapter 14A of the Listing Rules have been complied with.

19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

Interim Results

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

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 finance manager reports directly to the management. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the management.

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

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

The fair values of the non-current 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.

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

At 30 June 2015, the unlisted available-for-sale investments of HK\$210,186,000 (31 December 2014: HK\$210,188,000) were stated at cost less any impairment losses as the fair value cannot be reliably measured because the probabilities of the various estimates within the range of reasonable fair value estimates cannot be reasonably assessed and used in estimating fair value.

The Group enters into Euro, Pound sterling, Russian rouble, Malaysian ringgit 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 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.

Interim Results

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

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 2015, the listed equity investment and the derivative financial instruments measured at fair value held by the Group belong to hierarchy Level 1 and hierarchy Level 2, respectively.

During the period, there were no transfer of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2014: Nil).

20. APPROVAL OF THE INTERIM FINANCIAL REPORT

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

Management Discussion and Analysis

OPERATIONAL HIGHLIGHTS

- Total sales volume of handsets and other products reached 33.7 million units for the first half of 2015, representing a year-on-year (“y-o-y”) increase of 13%.
- Sales volume of smartphones and other smart devices for the first half of 2015 increased by 31% y-o-y to 19.7 million units.
- Overall average selling price (“ASP”) decreased from US\$52.3 in the first half of 2014 to US\$50.7 in the first half of 2015.
- Revenue for the first half of 2015 increased by 8% y-o-y to HK\$13.2 billion.
- Gross profit margin dropped slightly to 19.3% in the first half of 2015 from 19.5% for the first half of 2014.
- Net profit of HK\$454 million was recorded in the first half of 2015, which increased by 3% y-o-y. Basic earnings per share decreased to 36.58 HK cents from 36.70 HK cents for the corresponding period of the previous year.
- An interim dividend of 12.80 HK cents per ordinary share is recommended, representing a payout ratio of 35% of the profit attributable to owners of the parent for the first half of 2015.

Management Discussion and Analysis

Amid fierce competition in the handset market in the first half of 2015, the Group continued to transform and upgrade its product mix. Grasping industry trends, the Group launched the smartwatch and the new flagship handset products. Leveraging the rapid growth of mobile Internet, and based on its “Double +” business transformation strategy, the Group consolidated its existing products and resources to launch a variety of mobile Internet applications and cloud services.

BUSINESS REVIEW

During the period under review, with a sustainable increase in sales volume of smart devices and efficient execution across all businesses, the Group overall revenue grew 8% year-on-year to reach HK\$13.2 billion, net profit up by 3% to HK\$454 million, from the same period of last year. Be affected by the persistently sluggish world economy, currency devaluation and other factors, the overall average selling price (“ASP”) of the Group’s products decreased by 3% to US\$50.7. Even so the Group managed to maintain its gross profit margin at 19.3%, a steady and healthy level, through continuing efforts to refine its product portfolio. Basic earnings per share slightly decreased to 36.58 HK cents from 36.70 HK cents over the corresponding period of the previous year. The Board of Directors recommended an interim dividend of 12.80 HK cents per ordinary share, representing a payout ratio of 35% of the profit attributable to owners of the parent for the period.

Performance of Product Segments

For the first half of 2015, to optimise the product mix and improve brand awareness globally, the Group has continued to increase its R&D and brand promotion investments. During the period under review, the expenditures on R&D and sales and marketing of the Group were HK\$813 million and HK\$897 million respectively. The Group successfully launched a series of smart devices equipped with the latest technologies and high-tech features. These new products have won recognition from major global operators and distributors. Total sales volume of handsets and other products reached 33.7 million units, representing a year-on-year increase of 13%, with 30 million units sold overseas and 3.7 million units sold in China. Sales volume of smart devices has increased by 31% year-on-year to 19.7 million units, accounting for 58% of the Group’s total shipments.

1) Mobile Handset

Although the rapid market expansion was damped, the Group continued to achieve outstanding results in various markets, and to further exploit the growing market demand for cost-effective and multi-functional smartphones to broaden its worldwide market share in the first half of 2015. According to the worldwide total mobile phone shipments released by IDC and company data, the Group is the world’s 6th biggest vendor, with 3.9% of total market share in the second quarter of 2015.

On the smartphone side, the Group unveiled its flagship smartphone of the year **ALCATEL ONETOUCH IDOL 3** in *MWC 2015*, which equipped with eyeprint recognition feature and 100% reversibility that enables users to answer a call even upside down. Besides, the Group has also collaborated with *China Telecom* and *MediaTek* to release the cost-effective 4G handset **TCL P588L**. This handset is among the first batch of 4G products using the 64-Bit quad-core system-on-chip clip equipped with the CDMA2000 technology developed by *MediaTek*. With its ultra-slimness, colourful exterior design and all-round multimedia functionalities, the product is well-positioned to attract young customers.

Management Discussion and Analysis

BUSINESS REVIEW (continued)

Performance of Product Segments (continued)

2) Tablet and Wearable Device

On the tablet side, **ALCATEL ONETOUCH POP10** is a new member of the Pop family, features a 10.1-inch IPS display and ultra-narrow bezel, with pretty light of its size. During the period of review, the Group's worldwide tablet shipments grew more than three-fold year-on-year. On the other hand, the award-winning smartwatch **ALCATEL ONETOUCH WATCH** is the first smart wearable device supporting both Android and iOS in the world. The watch has already been feted with a slew of awards after first unveiled in *CES 2015*, including "Top Pick of CES" from *Tom's Guide*, "Best Smartwatches of CES 2015" from *GSMarena*, and the worldwide prestigious design award "iF Design Award".

3) Mobile Internet

Regarding the intense competition of global handset market, the State Council announced in the "Made in China 2025" plan that the traditional manufacturing industry should further transform to be more digital, Internet-based and intelligent. The Group continue to adhere to the "Double +" business transformation strategy, and also put in efforts to open up the mobile Internet application and cloud service market. At *CeBIT 2015*, the world's biggest event of its kind, the Group showcased two of its new Internet applications and services: TCL Smart Home System and an enterprise cloud-based HD video communications platform.

The Group established a Mobile Internet Business Centre in 2014. For the first half of 2015, the number of cumulative activated mobile users of mobile internet platform has grown to 13.1 million. Meanwhile, the Group and its parent company have been jointly developing a new online financial service platform (a third-party mobile payment gateway), with the settlement amount in the first half of 2015 amounting to HK\$1.6 billion.

In the latter half of the year, the Group will join with its new partners to develop more innovative applications in different vertically integrated areas to enhance user experience and increase service income. Furthermore, the Group will step up efforts to develop its cloud-based platform.

Regional Business Performance

Although the competition was intensifying during the reporting period, through deepening collaborative relationships with operators and strengthening online channels, the Group was able to expand its market share in overseas markets. In North America, the sales volume of handsets and other products increased 86% year-on-year. Meanwhile, the Middle East and Africa is another region with strong performance, sales volume of smart devices rose 68% year-on-year.

Management Discussion and Analysis

BUSINESS REVIEW (continued)

Regional Business Performance (continued)

In the next six months, the Group will build on top of the strengths of different markets and adopt targeted strategies to each of its six designated business regions. The Group will seek to boost brand awareness in the US market by launching more 4G smartphones. In South America, Middle East and Africa the Group will launch various new entry-level smartphones to optimise its product mix. In addition, strengthening online and open market channels will be the key marketing strategies in Europe and China. With the impending launch of new products, the Group will maintain the momentum of steady growth.

Geographical Breakdown of Revenue

<i>(HK\$ Million)</i>	Sales of handsets and other products and provision of services		
	For the six months ended 30 June		
	2015	2014	Change (%)
North America	3,222	2,599	+24%
South America	4,000	3,685	+9%
Europe	2,975	3,059	-3%
The Middle East and Africa	1,503	1,036	+45%
Asia Pacific	367	829	-56%
China	1,160	1,010	+15%
Total	13,227	12,218	+8%
<i>Including: smart devices</i>	11,876	9,655	+23%

North America

During the period under review, the Group's business in North America remained steady, with a continuous growth of entry-level to mid-range 4G smartphones, revenue rose by 24% year-on-year to HK\$3.2 billion. Sales volume of handsets and other products to North America increased by 86% year-on-year to 6.9 million units, with sales volume of smart devices increasing by 27% year-on-year to 3.1 million units, accounting for 46% of the total shipment to the region. Sales of tablets also saw a major breakthrough in the first half of the year.

Management Discussion and Analysis

BUSINESS REVIEW (continued)

Geographical Breakdown of Revenue (continued)

South America

In terms of the economic slowdown in the region, coupled with devaluation of currencies in certain countries, sales volume of handsets and other products to South America decreased by 9% year-on-year to 10.6 million units. Nevertheless, continued product mix enhancement enabled the Group to achieve a 9% year-on-year growth in revenue to HK\$4.0 billion. Benefiting from the sustained trend of increasing smartphone penetration, expansion in the number of entry-level smartphone users remained the key growth driver in the region. Sales volume of smart devices grew by 36% year-on-year to 6.6 million units, accounting for 62% of the total shipments to the region.

Europe

During the period under review, revenue decreased by 3% year-on-year to HK\$3.0 billion in the first half of the year. However, the drop has substantially factored in the translation loss of currency depreciation. If excluding the above impact, the revenue in terms of local currencies in fact reported growth from this perspective. Besides, the Group managed to make breakthroughs in certain markets, such as Spain. The Group has also been afforded opportunities as some operators in the region have started to replace 2G feature phones with 3G smartphones. Sales volume of handsets and other products to the European market for the period under review totalled 7.6 million units, up 19% year-on-year, of which sales volume of smart devices rose 21% year-on-year to 4.5 million units, accounting for 59% of total shipments to Europe.

The Middle East and Africa (“MEA”)

Despite fierce competition in the Middle East and Africa, the Group achieved satisfactory progress in many markets in this region. During the period under review, revenue grew 45% year-on-year to HK\$1.5 billion. Sales volume of handsets and other products to the Middle East and Africa grew 16% to 4.0 million units, within which smart devices increased 68% year-on-year to 2.6 million units, accounting for 66% of the total shipments to the Middle East and Africa.

In South Africa, market demand for entry-level smartphones and tablets continued to grow. In the Middle East, the Group has broadened its sales network by adding new distributors to markets including Qatar, Iran and Palestine. This move will prepare the Group for future growth in the region.

Management Discussion and Analysis

BUSINESS REVIEW (continued)

Geographical Breakdown of Revenue (continued)

Asia Pacific (“APAC”)

During the period under review, revenue went down by 56% year-on-year to HK\$400 million in APAC region. Sales volume of handsets and other products across the APAC region was down 52% year-on-year to 0.9 million units, within which sales volume of smart devices dropped 41% year-on-year to 0.6 million units.

China

In the first half of 2015, strong demand for 4G products remained the main growth driver for the Group, and revenue went up by 15% to HK\$1.1 billion. Sales volume of handsets and other products in China rose 32% to 3.7 million units. Sales volume of smart devices grew 56% year-on-year to 2.3 million units.

“Double +” Transformation Strategy

In 2014, the Group began to implement the “Double +” business transformation strategy (i.e., “Intelligence + Internet” and “Products + Services”). It is committed to transcending from being product-oriented to user-centric, with the aim of enhancing its mobile Internet application and smart cloud service capabilities.

To promote the implementation of “Intelligence + Internet” transformation strategies, TCL Smart Home (a joint venture between TCL Corporation (“TCL Corp.”), the Group and TCL Multimedia Technology Holdings Limited) has launched **Super APP**, following the release of **TCL Smart Cloud** and **TCL Smart Module**. The app enables consumers to acquire information of the smart home industry and discover innovative products, while creating a practical smart home mobile community.

Mobile healthcare also constitutes a major component of the “Double +” business transformation strategy. In China, implementation of the major action plan for promoting “Internet Plus” services targeting the general public has already begun, and the development of Internet-based medical and healthcare services are greatly encouraged. In early 2015, the Group launched the mobile healthcare app **Fortune Dr.** The newly released version **Fortune Dr. TV** enables users to connect their handset and TV to their medical equipment in order to monitor their health conditions and vital signs. In the next generation to come, the app will add an online consultation function and one-to-one family doctor service. On top of that, **Fortune Dr.** will collaborate with Sky-tech to provide video consultation functions. Also, a doctor social media platform, “Doctor Circle”, will be built to facilitate communication.

Management Discussion and Analysis

BUSINESS REVIEW (continued)

“Double +” Transformation Strategy (continued)

The Group has also joined forces with TCL Group and Cisco to develop an enterprise cloud services platform, and it will launch a cloud-based video communications platform and cooperation office system. This Sky-Tech Video Cloud Service will be accessible across 25 multiple sources in parallel, and may be extended widely for areas such as online education, long-distance customer service support, and long-distance medical services.

OUTLOOK

In the first half of 2015, with the uncertainty economic and a complex, changeable competition environment in the industry, the Group maintained a high level of awareness regarding global market developments, called on its strong ability to respond to market changes accordingly and continued to adopt positive and effective credit control and hedging policies to mitigate exchange rate and credit risks. In the second half of the year, the Group will further unleash the nine core corporate competencies, gradually building up a service platform. Apart from that, the Group will ride on the “Internet +” trend and grasp the opportunities, transforming itself into a multinational enterprise that specialises in the manufacturing of smart devices and Internet applications and services.

Guided by the “Double +” business transformation strategy, the Group will continue to invest in areas including smart home, mobile healthcare and medical services, and enterprise cloud platforms. The Group will gradually build up a multitude of Internet-based business strengths and create a unique open smart ecosystem anchored around “smart devices + cloud-based platform + internet services”. In the meantime, for those new projects based on the “Products + Services” business model, the Group will step up its R&D efforts and follow an internet-thinking approach to promote further business growth of transformation projects, which will then create new dimensions to enhance the Group’s corporate value.

In terms of business operation, the Group will continue to exercise stringent cost and expense controls to optimise its operational efficiency. A lean and mean organisation structure will help the Group adapt to market changes in a timely manner. The Group will also adhere to the long-standing and effective “Step-Up” product strategy, laying a robust foundation for maintaining high product quality and technological innovations. Efforts will be made to establish the Group as a world-leading mobile Internet enterprise, and maximise shareholders’ value.

Looking ahead, the Group believes that driven by the combined engines of Internationalisation and the “Double +” business transformation strategy, its edge as a manufacturing and Internet enterprise will become even more prominent. However, the persistent strong US dollar has made currencies in emerging markets devalued, together with the weakened macro economies and undermined purchasing power, will continue to impose negative impacts on product average selling price, gross profit margin and demand. With the aforementioned factors taken into account, the management of the Group is revising its revenue growth target for 2015 to 10% year-on-year.

Management Discussion and Analysis

FINANCIAL REVIEW

Results

For the six months ended 30 June 2015, the Group's unaudited consolidated revenue amounted to HK\$13,227 million (six months ended 30 June 2014: HK\$12,218 million), representing a year-on-year increase of 8% as compared to the same period of last year.

The Group's gross profit margin decreased slightly to 19.3% from 19.5% in the same period of last year.

EBITDA and profit attributable to owners of the parent were HK\$656 million (six months ended 30 June 2014: HK\$582 million) and HK\$453 million respectively (six months ended 30 June 2014: HK\$431 million). Basic earnings per share were 36.58 HK cents (six months ended 30 June 2014: 36.70 HK cents).

Inventory

For the current period, the Group's inventory (including factory inventory only) turnover period was 32 days (year ended 31 December 2014: 37 days).

Trade Receivables

Credit period ranged from 30 to 180 days on average and the trade receivable (excluding factored trade receivables) turnover period was 79 days for the current period (year ended 31 December 2014: 72 days).

Significant Investments and Acquisitions

On 21 May 2015, Shenzhen TCL Cloud Technology Co Ltd ("Shenzhen TCL Cloud", a wholly-owned subsidiary of the Company) entered into a club membership acquisition agreement with Shenzhen TCL Optoelectronic Tech Co. Ltd ("Shenzhen TCL Optoelectronic", a fellow subsidiary of the Group), to acquire club membership interests at a total consideration of RMB284,526,000 (equivalent to HK\$359,925,000) from Shenzhen TCL Optoelectronic. During the period, the amount paid under the club membership acquisition agreement was RMB20,000,000 (equivalent to HK\$25,300,000). For the remaining consideration, RMB122,263,000 (equivalent to HK\$154,662,000) and RMB142,263,000 (equivalent to HK\$179,963,000) will be paid in form of cash before 30 September 2015 and in 24 monthly instalments from October 2015 to September 2017 respectively.

Except for the above transaction, there has been no other significant investment and acquisition for the six months ended 30 June 2015 and up to the approval date of this interim report.

Management Discussion and Analysis

FINANCIAL REVIEW (continued)

Equity Fund Raising

There had been no equity fund raising for the six months ended 30 June 2015 and up to the approval date 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 2015 amounted to HK\$493 million, of which 34% were in Renminbi ("RMB"), 37% in United States dollars ("USD"), 9% in Euro and 20% in Hong Kong dollars and other currencies for the operations. The Group's total interest-bearing borrowings as at 30 June 2015 were HK\$2,962 million, in which the interest-bearing bank borrowings were HK\$2,727 million and bank advances on factored trade receivables were about HK\$235 million. The Group's financial position remained healthy with equity attributable to owners of the parent of HK\$4,134 million as at 30 June 2015 (31 December 2014: HK\$4,089 million). The Group had a gearing ratio of 16% as at the end of the period under review (31 December 2014: 22%). The gearing ratio is calculated based on the Group's total interest-bearing borrowings over total assets.

Pledged Deposits

Deposit balance of HK\$1,555 million (31 December 2014: HK\$1,914 million) represented the pledged deposit for interest-bearing bank borrowings, banking facilities and other financial instruments of HK\$1,518 million (31 December 2014: HK\$1,858 million) and retention guarantee for factored trade receivables of HK\$37 million (31 December 2014: HK\$56 million).

Management Discussion and Analysis

FINANCIAL REVIEW (continued)

Foreign Exchange Exposure

The Group has transactional currency exposures. These exposures arise from sales or purchases by operating units in currencies other than the units' functional currency, 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 2015. Total staff costs for the period under review were HK\$965 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 2015, 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 Listing Rules, were as follows:

(A) Interests in the Company – Long Positions

Name of Directors	Number of ordinary shares held	Number of awarded shares held <i>(Note i)</i>	Number of underlying shares held under equity derivatives <i>(Note ii)</i>	Total	Approximate percentage of issued share capital of the Company
LI Dongsheng	50,825,553	234,319	2,919,913	53,979,785*	4.29%
GUO Aiping	2,213,293	302,192	9,431,628	11,947,113	0.95%
WANG Jiyang	–	114,606	820,469	935,075	0.07%
HUANG Xubin	–	53,341	1,137,265	1,190,606	0.09%
YAN Xiaolin	–	51,011	186,133	237,144	0.02%
LIAO Qian	–	14,344	32,601	46,945	0.004%
LAU Siu Ki	144,177	7,500	517,045	668,722	0.05%
LOOK Andrew	–	7,500	17,045	24,545	0.002%
KWOK Hoi Sing	–	7,500	517,045	524,545	0.04%

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

Other Information

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

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

TCL Corp. (Note iii)

Name of Directors	Number of ordinary shares held (Note iv)	Number of awarded shares held	Number of underlying shares held under equity derivatives (Note v)	Total	Approximate percentage of issued share capital of TCL Corp.
LI Dongsheng	1,047,173,209	–	–	1,047,173,209	8.57%
WANG Jiyang	–	–	517,120	517,120	0.004%
HUANG Xubin	3,383,380	–	–	3,383,380	0.03%
YAN Xiaolin	597,100	–	1,522,400	2,119,500	0.02%

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

TCL Multimedia (Note vi)

Name of Directors	Number of ordinary shares held	Number of awarded shares held (Note vii)	Number of underlying shares held under equity derivatives (Note viii)	Total	Approximate percentage of issued share capital of TCL Multimedia
LI Dongsheng	43,036,731	127,924	4,326,367	47,491,022*	3.54%
WANG Jiyang	360,000	–	–	360,000	0.03%
HUANG Xubin	1,060,560	81,991	460,177	1,602,728	0.12%
YAN Xiaolin	390,600	78,409	1,086,212	1,555,221	0.12%
LIAO Qian	–	22,049	–	22,049	0.002%

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

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 ix)

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

* As at 30 June 2015, Mr. LI Dongsheng was deemed to be interested in 5,687,668 shares of Tonly Electronics, comprising (a) 5,306,968 shares of Tonly Electronics held by Mr. LI; and (b) 380,700 shares of Tonly Electronics held by the spouse of Mr. LI.

Notes:

- i. These awarded shares were the awarded shares as at 30 June 2015 granted to the Directors and their associates under the Share Award Scheme B, including the awarded shares granted on 21 May 2015. 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 outstanding Share Options as at 30 June 2015 granted to the Directors and their associates under the share option schemes of the Company, including the Share Options granted under the New Share Option Scheme on 21 May 2015. 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, hence an associated corporation of the Company under Part XV of the SFO.
- iv. Under the SFO, as at 30 June 2015, Mr. LI Dongsheng was deemed to be interested in 408,899,521 shares in TCL Corp. held by partnership enterprises ultimately controlled by him.

Other Information

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

Notes: (continued)

- v. These equity derivatives were the outstanding share options as at 30 June 2015 granted to the Directors under the stock option incentive plan of TCL Corp..
- vi. TCL Multimedia Technology Holdings Limited ("TCL Multimedia"), a company incorporated in the Cayman Islands with its shares listed on the Stock Exchange (stock code: 1070), and controlled by TCL Corp., is a subsidiary of TCL Corp., hence an associated corporation of the Company under Part XV of the SFO.
- vii. These awarded shares were the awarded shares as at 30 June 2015 granted to the Directors and their associates under the restricted share award scheme of TCL Multimedia, including awarded shares granted on 25 June 2015.
- viii. These equity derivatives were the outstanding share options as at 30 June 2015 granted to the Directors under the share option scheme of TCL Multimedia, including share options granted on 9 March 2015.
- ix. Tonly Electronics Holdings Limited ("Tonly Electronics"), a company incorporated in the Cayman Islands with its shares listed on the Stock Exchange (stock code: 1249), and controlled by TCL Corp., is a subsidiary of TCL Corp., hence an associated corporation of the Company under Part XV of the SFO.

Save as disclosed above, as at 30 June 2015, none of the Directors and chief executive of the Company and their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2015, 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 required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Name	Type of interest	Interest in shares and underlying shares held	Approximate percentage of the issued share capital	<i>Note</i>
TCL Corp.	Interest of controlled corporation	780,596,000	62.00%	i

Note:

- i. Under the SFO, as at 30 June 2015, TCL Corp. was deemed to be interested in 780,596,000 Shares held by T.C.L. Industries Holdings (H.K.) Limited, a direct wholly-owned subsidiary of TCL Corp..

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 2015, had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

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

Other Information

INFORMATION ABOUT THE STRUCTURE CONTRACTS

On 9 October 2014, the Company announced that the forms of two sets of structure contracts, namely Structure Contracts (VIE (A)) and Structure Contracts (VIE (B)) were finalized. Relevant information about the structure contracts are set out below.

Structure Contracts (VIE (A))

On 4 January 2015, (a) 深圳市前海匯銀通技術服務有限公司 (“WFOE (A)”) and Huizhou Cellutel Communication Co., Ltd. (“Cellutel”, a non-wholly owned subsidiary of the Company) entered into (1) a power of attorney; (2) an exclusive purchase right agreement; and (3) an equity interest pledge agreement with each of Shenzhen Quanhuifeng Technology Limited (“SZ Quanhuifeng”, an indirect non-wholly owned subsidiary of the Company) and TCL Corp., the registered owners of Cellutel; and (b) WFOE (A) and Cellutel also entered into (4) an exclusive business cooperation agreement. (1) to (4) above are collectively referred to as the “Structure Contracts (VIE (A))”.

Pursuant to the Structure Contracts (VIE (A)), (a) WFOE (A) agrees to provide Cellutel with certain technical support, consulting services and other services on exclusive basis; and (b) SZ Quanhuifeng and TCL Corp. (i) have granted an option to WFOE (A) to purchase their equity interest in Cellutel at the price of RMB10 or such lowest possible price permissible under the applicable PRC laws and regulations, whichever is higher; (ii) have pledged the equity interests of Cellutel to WFOE (A) to guarantee certain obligations of SZ Quanhuifeng, TCL Corp. and Cellutel under Structure Contracts (VIE (A)); and (iii) have appointed WFOE (A) as their attorney to exercise their rights as the shareholders of Cellutel such that WFOE (A) will have effective control over Cellutel.

Cellutel, an enterprise established under the laws of the PRC, is owned by SZ Quanhuifeng and TCL Corp. as to 60% and 40% respectively. It is principally engaged in the business of third party payment services.

SZ Quanhuifeng (an indirect non-wholly owned subsidiary of the Company) is an investment holding company.

TCL Corp., the ultimate controlling shareholder of the Company, together with its subsidiaries (excluding the Group) as a group is a major PRC conglomerate that designs, develops, manufactures and markets a wide range of the electronic, telecommunications, information technology and electrical products.

Other Information

INFORMATION ABOUT THE STRUCTURE CONTRACTS (continued)

Structure Contracts (VIE (B))

On 20 April 2015, (a) 廣州科天智慧雲信息科技有限公司 (“WFOE (B)”), 廣州視暢信息科技有限公司 (“OPCO”) and Cellutel (the registered owner of OPCO) entered into (1) a power of attorney; (2) an exclusive purchase right agreement; and (3) an equity interest pledge agreement; and (b) WFOE (B) and OPCO also entered into (4) an exclusive business cooperation agreement. (1) to (4) above are collectively referred to as the “Structure Contracts (VIE (B))”. Structure Contracts (VIE (A)) and Structure Contracts (VIE (B)) are collectively referred to as the Structure Contracts.

Pursuant to the Structure Contracts (VIE (B)), (a) WFOE (B) agrees to provide OPCO with certain technical support, consulting services and other services on exclusive basis; and (b) Cellutel (i) has granted an option to WFOE (B) to purchase its equity interest in OPCO at the price of RMB10 or such lowest possible price permissible under the applicable PRC laws and regulations, whichever is higher; (ii) has pledged the equity interests of OPCO to WFOE (B) to guarantee certain obligations of Cellutel and OPCO under Structure Contracts (VIE (B)); and (iii) has appointed WFOE (B) as its attorney to exercise its rights as the shareholder of OPCO such that WFOE (B) will have effective control over OPCO.

OPCO, an enterprise established under the laws of the PRC, is wholly owned by Cellutel. It is principally engaged in the business of value-added telecommunication services.

Significance and financial contribution of Cellutel and OPCO to the Group

The following table sets out the revenue, net profit and total assets of Cellutel, OPCO and the Group as a whole:

	Revenue For the six months ended 30 June 2015 (unaudited) HK\$'000	Net Profit For the six months ended 30 June 2015 (unaudited) HK\$'000	Total Assets As at 30 June 2015 (unaudited) HK\$'000
Cellutel	49,114	(4,106)	127,945
OPCO <i>(Note)</i>	–	(386)	57,658
The Group	13,226,923	453,585	18,485,004

Other Information

INFORMATION ABOUT THE STRUCTURE CONTRACTS (continued)

Significance and financial contribution of Cellutel and OPCO to the Group (continued)

Note:

The financial statements of OPCO are fully consolidated into the financial statements of WFOE (B), the financial statements of which in turn are fully consolidated into Reachfull Investment Limited, a company in which the Company indirectly holds 25% of its issued share capital.

Reasons for the Structure Contracts

According to Administrative Rules for Foreign Investments in Telecommunications Enterprises (外商投資電信企業管理規定) issued by the State Council on 11 December 2001 and amended on 10 September 2008 and the Guiding Catalogue for Foreign Investment Industries (Revised in 2015) (外商投資產業指導目錄(2015年修訂)), foreign investors' ultimate equity ownership in a foreign-invested telecommunications enterprise that is engaged in value-added telecommunications services shall not exceed 50% (e-commerce operation excluded) and the foreign investors shall have relevant operation record and experience. Given the foreign investment restrictions and requirement on foreign investors' operation record and experience, WFOE (A) and WFOE (B) are unable to directly engage in the respective business carried on by Cellutel and OPCO. In order to conduct the restricted businesses, WFOE (A) and WFOE (B) adopted Structure Contracts (VIE (A)) and Structure Contracts (VIE (B)) respectively to carry out relevant businesses through Cellutel and OPCO.

Through the Structure Contracts (VIE (A)), WFOE (A) would have effective control over the finance, operation strategies and decision making of Cellutel; and the entire economic risks and benefits in Cellutel (other than those related to online collaboration business) are transferred to WFOE (A) so that WFOE (A) would be able to conduct the business of third party payment services through Cellutel.

Through the Structure Contracts (VIE (B)), WFOE (B) would have effective control over the finance, operation strategies and decision making of OPCO; and the entire economic risks and benefits in OPCO are transferred to WFOE (B) so that WFOE (B) would be able to carry on the business of value-added telecommunications services platform through OPCO.

Other Information

INFORMATION ABOUT THE STRUCTURE CONTRACTS (continued)

Risks associated with the Structure Contracts

Using Structure Contracts (VIE (A)) to control and obtain the economic benefits from Cellutel through WFOE (A) and using Structure Contracts (VIE (B)) to pass the control and economic benefits from OPCO to WFOE (B) may not be as effective as having direct ownership. The Company may have to rely on the PRC legal system to enforce the Structure Contracts, which remedies may be less effective than those in other developed jurisdictions. There is no assurance that (i) the interpretation of the Structure Contracts by the PRC legal advisers to the Company is in line with the interpretation of the PRC governmental authorities; and (ii) the Structure Contracts will not be considered by such PRC governmental authorities and courts to be in violation of the PRC laws. It is possible that the PRC governmental authorities may, in future, interpret or issue laws, regulations or policies that result in the Structure Contracts being deemed to be in violation of the then prevailing PRC laws, regulations or policies.

Notwithstanding the above, to the best knowledge of the PRC legal advisers to the Company after due inquiry, each of the Structure Contracts is not in violation of PRC laws, regulations or policies. The Company will continue to monitor the relevant PRC laws and regulations relevant to the Structure Contracts and take all necessary actions to protect the Company's interests in the Structure Contracts.

Material Changes

As at 28 August 2015, being the latest practicable date for ascertaining certain information in this interim report, there has not been any material changes in the Structure Contracts and/or the circumstances under which they were adopted.

Unwinding of the Structure Contracts

As at 28 August 2015, being the latest practicable date for ascertaining certain information in this interim report, there has not been any unwinding of any Structure Contracts, nor has there been any failure to unwind any Structure Contracts.

Other Information

CORPORATE GOVERNANCE CODE

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

Code Provision A.6.7

In respect of this Code Provision, due to respective pre-arranged business commitments which must be attended to by certain directors, Mr. HUANG Xubin, Mr. YAN Xiaolin (resigned on 15 July 2015) and Ms. XU Fang (resigned on 21 May 2015), all being Non-executive Directors, were not present at the annual general meeting of the Company held on 28 April 2015. However, Mr. LAU Siu Ki, Mr. LOOK Andrew and Mr. KWOK Hoi Sing, all of whom being Independent Non-executive Directors, were all present at the said annual general meeting to ensure an effective communication with the shareholders thereat.

Code Provision D.1.4

In respect of this Code Provision, the Company did not enter into any formal letters of appointment with all directors (except for Mr. YAN Xiaolin (resigned on 15 July 2015) and Mr. LIAO Qian (appointed on 21 May 2015)) as they have been serving as Directors for a considerable period of time, a clear understanding of the terms and conditions of their appointment already exists between the Company and the Directors, so there is no written record of the same. However, all Directors are subject to retirement by rotation at least once every three years in accordance with the memorandum and articles of association of the Company and Code Provision A.4.2.

Code Provision F.1.1

In respect of this Code Provision, the company secretary of the Company, Ms. PANG Siu Yin (“Ms. PANG”), is a partner of the Company’s legal adviser, Cheung Tong & Rosa Solicitors. Ms. PANG has been appointed as the company secretary of the Company since 2004. The Company has also assigned Mr. WANG Pui, Janus, the general manager of global financial control center and vice president of investor relations of the Company as the contact person with Ms. PANG. Information in relation to the performance, financial position and other major developments of the Group are speedily delivered to Ms. PANG through the contact person assigned, to enable Ms. PANG to get hold of the Group’s development promptly without material delay and with her expertise and experience, the Company is confident that having Ms. PANG as the company secretary is beneficial to the Group’s compliance with the relevant board procedures, applicable laws, rules and regulations.

Other Information

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Specific enquiries have been made with all Directors who have confirmed that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions during the period under review.

AUDIT COMMITTEE

The unaudited consolidated results for the period ended 30 June 2015 have been reviewed by the audit committee of the Company which comprises four members, namely Mr. LAU Siu Ki (Chairman), Mr. LOOK Andrew and Mr. KWOK Hoi Sing, all being Independent Non-executive Directors and Mr. HUANG Xubin, a Non-executive Director.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B (1) of the Listing Rules, the changes in information of Directors subsequent to the date of the 2014 Annual Report of the Company are set out below:

Name of Directors	Details of the Changes
Mr. Nicolas Daniel Bernard ZIBELL	Appointed as the president of the Company with effective from 12 August 2015 Appointed as a vice president of TCL Corp. with effect from 11 August 2015
Ms. XU Fang	Appointed as an executive director of TCL Multimedia with effect from 21 May 2015
Mr. LAU Siu Ki	Appointed as the company secretary of Hung Fook Tong Group Holdings Limited (stock code on the main board of Stock Exchange: 1446) with effect from 13 May 2015

INTERIM DIVIDEND

The Board has proposed the payment of an interim dividend of 12.80 HK cents (six months ended 30 June 2014: 12.80 HK cents) in cash per ordinary share of the Company for six months ended 30 June 2015. The proposed interim dividend will be paid on or about Thursday, 17 September 2015, to shareholders whose names appear on the register of members of the Company (the "Register of Members") on Tuesday, 1 September 2015.

Other Information

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed on Tuesday, 1 September 2015, for the purpose of determining the entitlement of shareholders of the Company to the proposed interim dividend. No transfer of the Shares can be registered on that date. In order to qualify for the proposed interim dividend, all transfers of shares accompanied by 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 Monday, 31 August 2015.

On behalf of the Board

LI Dongsheng

Chairman

Hong Kong
12 August 2015