TCL DISPLAY TECHNOLOGY HOLDINGS LIMITED

TCL 顯示科技控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 334)

Annual Report 2015

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-Executive Director

Mr. YUAN Bing (Chairman)
(appointed on 11 August 2015)

Executive Directors

Mr. LI Yuguo (Chairman)
(ceased to be Chairman on 11 August 2015 and resigned on 10 March 2016)
Mr. LI Jian (Chief executive officer)
Ms. JING Chunmei (resigned on 11 August 2015)
Mr. OUYANG Hongping
Ms. YANG Yunfang
Mr. ZHAO Yong (appointed on 10 March 2016)

Independent Non-Executive Directors

Ms. HSU Wai Man Helen
Mr. XU Yan
Mr. LI Yang

COMPANY SECRETARY

Ms. CHOY Fung Yee, Solicitor, Hong Kong

AUDITOR

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

LEGAL ADVISOR

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

COMPLIANCE ADVISOR

Emperor Capital Limited
28/F, Emperor Group Centre
288 Hennessy Road
Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRAR

Codan Services Limited
Clarendon House
2 Church Street
PO Box HM1022
Hamilton HM DX
Bermuda

BRANCH SHARE REGISTRAR

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

13/F, TCL Tower
8 Tai Chung Road
Tsuen Wan
New Territories
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

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 00334

WEBSITE

http://www.tcldisplay.com

FINANCIAL HIGHLIGHTS

FINANCIAL PERFORMANCE

(RMB Million)	**18 months ended 31 December 2015**	12 months ended 30 June 2014	**12 months ended 31 December 2015**	12 months ended 31 December 2014
Turnover	**3,688**	2,498	**2,243**	2,614
Gross profit	**290**	234	**140**	239
Gross profit margin (%)	**7.9%**	9.4%	**6.2%**	9.1%
Profit for the period/year before deducting listing expense	**169**	90	**73**	125
One-off listing expense	**(142)**	–	**(142)**	–
Profit/(loss) attributable to owners of the parent	**26**	90	**(70)**	125
Basic earnings/(loss) per share (RMB cents)	**3.37**	15.28	**(7.87)**	21.23

FINANCIAL POSITION

(RMB Million)	**31 December 2015**	31 December 2014	30 June 2014
Property, plant and equipment	**164**	169	102
Cash and cash equivalents	**287**	203	130
Total assets	**1,334**	1,224	1,121
Total liabilities	**1,229**	1,030	990
Net assets	**105**	194	131

OPERATION INDICATORS

	18 months ended 31 December 2015	12 months ended 30 June 2014	**12 months ended 31 December 2015**	12 months ended 31 December 2014
Inventory turnover (days)	**29**	25	**30**	29
Trade receivables turnover (days)	**60**	49	**70**	59
Trade payables turnover (days)	**107**	79	**101**	86
Current ratio	**0.99**	0.99	**0.99**	1.02

Note: The above turnover days are calculated on average balance of the beginning and end of the period/year.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of TCL Display Technology Holdings Limited (the "Company"), I hereby present you the first annual report of the Company and its subsidiaries (collectively, the "Group") following the resumption of trading in the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 25 June 2015 (the "Resumption").

Headquartered in the People's Republic of China (the "PRC"), the Group is principally engaged in the research and development, manufacture, sales and distribution of LCD modules for mobile phones and tablets on an original design manufacture (ODM) basis. The Group is also one of the major suppliers of small-to-medium sized (≤ 10.1") display modules in the PRC. Its smart phone liquid crystal display ("LCD") module products have been well-received by domestic and international manufacturers, and ranked top in terms of sales volume.

In 2015, macroeconomic slowdown led to the worsening of consumers' sentiment, which adversely affected the global smart device market. In addition, as the PRC has entered into a "new normal" stage of economic development, the growth of gross domestic product in 2015 hit its record low at below 7%. Coupled with the prevailing "high quality-low price" strategy adopted by an increasing number of local brands in attempt to enlarge market share, the competition among players in mobile phone and tablet LCD module market became fierce. Under these circumstances, for the eighteen months ended 31 December 2015 (the "Review Period"), both selling price and gross profit margin of the Group's LCD module products dropped as compared to those for the twelve months ended 30 June 2014 (the "Comparative Period"). For the Review Period, the Group recorded a net profit of only approximately RMB26.4 million, dropped by approximately RMB63.3 million as compared to approximately RMB89.7 million recorded for the Comparative Period. Such decrease in net profit is mainly caused by (i) the one-off listing expense and (ii) the fierce competition in the LCD module market which resulted in lower selling price and gross profit margin of the LCD module products as compared to the Comparative Period. However, before deducting the listing expense, the Group should have recorded an adjusted profit of approximately RMB169 million, which represented an increase of 87.9% from the Comparative Period.

Enhance core competitive strengths with new corporate image

2015 was a milestone year for the Group. The Company changed its company name to "TCL Display Technology Holdings Limited" upon resumption of trading. It signifies the new corporate image of the Company, through which, the Company will fully capitalise on the ample resources and strong brand reputation of TCL Group to position the Group as a leading global display module manufacturer with a goal to demonstrate our potential values to the international capital market.

The Group has set its eyes on Asia, with focus on Hong Kong and the PRC markets. Our high quality and competitive products have gained recognition from a number of domestic and international branded customers. During the Review Period, we further developed our collaboration with LG, an internationally renowned Korean consumer electronics brand. Such accomplishment has broadened the source of sales revenue of the Group and pushed forward the Group's strategy of achieving international development target. Moreover, in the past year, we strengthened our efforts in research and development to promote product innovation. Through actively optimising product mix, we offered more competitive product solutions to end-customers. These moves enabled us to enhance loyalty of existing customers and boost the Group's sales, thereby significantly increased our overall market share.

In order to maintain the competitiveness of the Group's products, we endeavour to create an advanced production environment for better product quality and production efficiency. The Group possesses industry-leading automated production lines and fully automatic inspection facilities. During the Review Period, the Group also strengthened its capabilities in product development, product power efficiency control and automated production, which further improved the core competitiveness of its products. As at the end of 2015, the Group had 24 LCD module production lines and registered 117 licensed patents. All of these initiatives marked a new beginning of the Group's sustainable development and laid solid foundation for the Group's product development and business growth in the future.

CHAIRMAN'S STATEMENT

Striding into international development through transformation

Stepping into 2016, as the global economic outlook remains uncertain and competition in the market of mobile smart device products such as mobile phones and tablets intensifies, greater pressure is exerted on product prices. In response to the intricate and changing operating environment, we will consolidate our foundation and spare no effort on transformation to pursue breakthroughs. In tandem with strengthening capability in product development, optimising product mix and expanding market share, we will head internationalization, and implement TCL Group's corporate positioning target as a global provider of smart products and internet application services, to upgrade the product technology and brand management ability of the Group, and to set up a modern business model.

Looking ahead, we will continue to identify new customers. Based on our customer-oriented approach, we will proactively develop a wider range of quality products with higher profit margins that cater customer needs, with views to further enlarge the customer base of the Group and drive up its profitability. We will also invest more resources in product development and deepen the collaboration with core customers for joint development projects. We are confident to tap into new markets. Next year, as the demand for higher-end laminated module products increases, we expect display module products with touch panel, will fuel up the Group's sales in the future and will secure lucrative revenue streams to the Group.

Going forward, we will continue to seek opportunities and make full use of our resources to implement innovative business plans that create higher corporate value and realise a healthy business growth.

Lastly, I would like to take this opportunity to express my sincere gratitude to all shareholders, business associates and staff members for their dedication. The Group will make its utmost efforts to promote business sustainability and maximise shareholders' returns.

YUAN Bing
Chairman
Hong Kong, 10 March 2016

* *for identification only*

MANAGEMENT DISCUSSION AND ANALYSIS

After the Resumption, the Group conducted their business operations primarily through the Company's subsidiary established in the PRC, TCL Display Technology (Huizhou) Co., Ltd. ("TCL Display"). In order to align the Company's financial year end date with that of TCL Display, the financial year end date of the Company has been changed from 30 June to 31 December during the Review Period, so as to streamline the preparation of the consolidated financial statements of the Group.

Therefore, as disclosed in the announcement of the Company dated 13 May 2015, the current financial report covered the period of eighteen months from 1 July 2014 to 31 December 2015. Whereas the relevant comparative amounts for the last financial year covered the period of twelve months from 1 July 2013 to 30 June 2014, the amounts as shown in Review Period are not directly comparable to those in the previous financial year ended 30 June 2014. Notwithstanding that, the accounting policies and computation methods adopted in preparation of the financial statements for the Review Period were consistent with those adopted in the preparation of the financial statements for the previous financial year, the Comparative Period.

In order to give a better picture of the Group's business performance and results for the twelve months ended 31 December 2015, major financial information for the year ended 31 December 2015 have been included in this annual report on voluntary basis.

INDUSTRY REVIEW

In 2015, consumer sentiment has been continually weakened by the weak and unstable global economy as well as the slowdown of the macroeconomy, which has adversely affected the global panel display module market. According to a statistical report recently released by the market research firm International Data Corporation ("IDC"), global mobile phone shipments reached approximately 1.97 billion units in the year of 2015, slightly increased by approximately 4.2% when compared to 2014. Out of these shipments, smart phones accounted for approximately 1.43 billion units, increased by approximately 14.4% from 2014, yet the 2015 figure revealed a deceleration in growth when compared to the growth of over 20% since 2010. Global personal tablet computer ("tablet") shipments in 2015 were approximately 210 million units, dropped by 10.1% as compared with that in 2014. As evidenced by the IDC's statistical report, the rapid growth experienced in the display module market in the past few years also began to slowdown.

The maturing smart phone and tablet market, as well as the increasing product popularity raised consumers' expectations in visual experience that could be delivered by the end products which prompted device manufacturers to further improve and enhance the function specifications for display panels. On the other hand, the smart device market saw an influx of investments by domestic internet companies to seize greater market share of the internet-related business; the continuous emergence of new brands in the market has resulted in the "high quality – low price" phenomenon in the industry, which further intensified competition in the upstream market of display modules for mobile phones and tablets.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the eighteen months ended 31 December 2015

The Group is one of the major suppliers of small-to-medium sized (≤10.1") display modules in the PRC, and is principally engaged in research and development, manufacture, sale and distribution of the LCD modules for mobile phones. During the Review Period, the Group recorded a net profit of approximately RMB26.4 million, as compared to the net profit of approximately RMB89.7 million for the Comparative Period. The significant decrease in net profit during the Review Period was mainly attributable to (i) the one-off listing expense incurred as a result of the reverse takeover of the entire interest in TCL Display by the Company which was regarded as a deemed new listing (the details of which were set out in note 25 to the Financial Statements) and (ii) the price cuts caused by the intense competition in LCD module market during the Review Period. Excluding the one-off listing expense, the Group recorded an adjusted profit of approximately RMB169 million during the Review Period, which is 87.9% higher than the profit for the Comparative Period.

During the Review Period, the Group's revenue was approximately RMB3.69 billion, increased by approximately 47.7% compared with that of the Comparative Period. For the Review Period, gross profit was approximately RMB290 million, and gross profit margin was down by 1.5 percentage points to approximately 7.9% from approximately 9.4% for the Comparative Period. Such decrease was primarily due to the decrease in average selling price of products. Net profit for the Review Period was approximately RMB26.4 million, compared to the net profit of approximately RMB89.7 million during the Comparative Period.

During the Review Period, mobile phone LCD module products were still the main source of income for the Group, accounting for approximately 91.9% of the Group's total revenue. Facing with fierce market competition, the mobile phone market in the PRC slowed down since early 2015. The Group's revenue from feature phone LCD module products (size < 3.5") and smart phone LCD module products (size 3.5" – 6") during the Review Period was approximately RMB344 million and approximately RMB3.05 billion respectively, as compared to approximately RMB358 million and approximately RMB2.10 billion during the Comparative Period respectively. On the other hand, benefited from the increased demand from a customer on larger sized other mobile device display modules, revenue from the Group's other mobile device LCD module products (size > 6") increased from approximately RMB40.8 million for the Comparative Period to approximately RMB299 million during the Review Period. Revenue from other mobile device LCD module products (size > 6") as a percentage of the Group's total revenue also increased to approximately 8.1% for the Review Period, compared to 1.6% for the Comparative Period.

The Group's revenue by product segments during the Review Period and their respective period-on-period change are as follows:

	Eighteen months ended 31 December 2015		Twelve months ended 30 June 2014		Period-on-Period Change
	RMB'000	**%**	RMB'000	%	%
TFT LCD modules					
– for feature phones (size < 3.5")	**344,108**	**9.3**	357,927	14.3	-3.9
– for smart phones (size 3.5" – 6")	**3,045,474**	**82.6**	2,099,035	84.1	45.1
– for other mobile devices (size > 6")	**298,579**	**8.1**	40,751	1.6	632.7
Total	**3,688,161**	**100.0**	2,497,713	100.0	47.7

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's sale volume by product segments during the Review Period and their respective period-on-period change are as follows:

	Eighteen months ended 31 December 2015		Twelve months ended 30 June 2014		Period-on-Period Change
	'000 units	**%**	'000 units	%	%
TFT LCD modules					
– for feature phones (size < 3.5")	**27,564**	**30.9**	22,550	37.2	22.2
– for smart phones (size 3.5" – 6")	**57,905**	**65.0**	37,655	62.1	53.8
– for other mobile devices (size > 6")	**3,632**	**4.1**	413	0.7	779.4
Total	**89,101**	**100.0**	60,618	100.0	47.0

The Group is principally engaged in the research and development ("R&D") and supply of LCD modules for various reputable international and domestic mobile phone manufacturers on an ODM basis. For the Review Period, Hong Kong and the PRC were the major markets of the Group. The revenue derived from Hong Kong and the PRC was approximately RMB1.88 billion and approximately RMB1.71 billion respectively, which accounted for an aggregate of approximately 97.4% of the total revenue of the Group. During the Review Period, the Group further deepened the collaboration with LG, a globally renowned consumer electronics brand based in South Korea, which brought a significant increase in the sales revenue of the Group from its Korean market, from approximately RMB14.4 million for the Comparative Period to approximately RMB95.8 million.

The Group's revenues by geographical regions during the Review Period and their respective period-on-period change are as follows:

	Eighteen months ended 31 December 2015		Twelve months ended 30 June 2014		Period-on-Period Change
	RMB'000	**%**	RMB'000	%	%
Hong Kong	**1,884,248**	**51.1**	1,159,453	46.4	62.5
PRC	**1,708,141**	**46.3**	1,323,117	53.0	29.1
Korea	**95,772**	**2.6**	14,434	0.6	563.5
Others	**0**	**0**	709	0	-100.0
Total	**3,688,161**	**100.0**	2,497,713	100.0	47.7

During the Review Period, the Group strengthened its efforts in research and development for product innovation . Thanks to the dedication of the R&D team, on-cell embedded module products have been successfully put into mass production and delivered in the first half of 2015, and have been well-received by core customers. The Group also continued to enhance the development of ultra-thin narrow bezel products, OTP capacity building, product power efficiency control and automation production projects, production capacity and core competitiveness of products, which laid a firmer basis for the Group's product research and development. In addition, during the Review Period, the Group launched a meticulous management strategy and actively adjusted the product structure, thereby improving product quality to meet the diverse needs of customers. At the same time, through optimization of the product mix, the Group is able to provide more competitive products and solutions to end customers, thus effectively enhancing customer loyalty and maintaining good relationship with the end customers, as well as expanding the Group's market share.

The Group possesses advanced production technology and facilities and is committed to providing customers with high quality and competitive products. As at 31 December 2015, the Group's plant in Huizhou City, Guangdong Province covered a total gross floor area of over 44,000 sq. m, and was equipped with 24 LCD modules production lines (including 28 units of full lamination assembling equipment). The comprehensive production technologies and facilities further enabled the Group to effectively increase its production efficiency and mitigate against the adverse effect arising from increased production costs.

MANAGEMENT DISCUSSION AND ANALYSIS

For the twelve months ended 31 December 2015

For the twelve months ended 31 December 2015, the Group recorded a revenue of approximately RMB2.24 billion, representing a decrease of approximately 14.2% as compared to the twelve months ended 31 December 2014. Sales volume during the year slightly increased by approximately 1.3% to approximately 58.4 million units from last year. Such decrease in revenue was primarily attributable to the price cuts caused by the intense competition in the LCD module market during the year which, in turn, led to the drop of gross profit margin to 6.2%. Net loss of approximately RMB69.5 million was recorded for the twelve months ended 31 December 2015, as compared to the net profit of approximately RMB125 million for the twelve months ended 31 December 2014. Excluding the one-off listing expense, the Group recorded an adjusted net profit of approximately RMB72.6 million for the year, representing a decrease of 41.8% from the net profit of approximately RMB125 million last year.

During the twelve months ended 31 December 2015, mobile phone LCD module products were still the main source of income for the Group, accounting for approximately 91.9% of the Group's total revenue. Facing with fierce market competition, the mobile phone market in the PRC slowed down since early 2015. The Group's revenue from feature phone LCD module products (size < 3.5″) and smart phone LCD module products (size 3.5″ – 6″) during the twelve months ended 31 December 2015 was approximately RMB207 million and approximately RMB1.85 billion respectively, as compared to approximately RMB275 million and approximately RMB2.20 billion during the twelve months ended 31 December 2014 respectively. On the other hand, benefited from the increased demand from a customer on larger sized other mobile device display modules, revenue from the Group's other mobile device LCD module products (size > 6″) increased from approximately RMB140 million for the twelve months ended 31 December 2014 to approximately RMB182 million for the twelve months ended 31 December 2015. Revenue from other mobile device LCD module products (size > 6″) as a percentage of the Group's total revenue also increased to approximately 8.1% for the twelve months ended 31 December 2015, compared to 5.4% for the prior year.

The Group's revenue by product segments for the twelve months ended 31 December 2015 and their respective year-on-year change are as follows:

	Twelve months ended 31 December 2015		Twelve months ended 31 December 2014		Year-on-Year Change
	RMB'000	**%**	RMB'000	%	%
TFT LCD modules					
– for feature phones (size < 3.5″)	**207,312**	**9.3**	274,610	10.5	-24.5
– for smart phones (size 3.5″ – 6″)	**1,853,188**	**82.6**	2,199,352	84.1	-15.7
– for other mobile devices (size > 6″)	**182,322**	**8.1**	140,266	5.4	30.0
Total	**2,242,822**	**100.0**	2,614,228	100.0	-14.2

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's sales volume by product segments for the twelve months ended 31 December 2015 and their respective year-on-year change are as follows:

	Twelve months ended 31 December 2015		Twelve months ended 31 December 2014		Year-on-Year Change
	'000 units	**%**	'000 units	%	%
TFT LCD modules					
– for feature phones (size < 3.5")	**17,019**	**29.2**	19,038	33.0	-10.6
– for smart phones (size 3.5" – 6")	**39,067**	**66.9**	36,974	64.2	5.7
– for other mobile devices (size > 6")	**2,273**	**3.9**	1,607	2.8	41.5
Total	**58,359**	**100.0**	57,619	100.0	1.3

For the twelve months ended 31 December 2015, Hong Kong and the PRC were the major markets of the Group. The revenue derived from Hong Kong and the PRC was approximately RMB1.06 billion and approximately RMB1.11 billion respectively, which accounted for an aggregate of approximately 96.8% of the total revenue of the Group. During the twelve months ended 31 December 2015, the Group further deepened the collaboration with LG, a globally renowned consumer electronics brand based in South Korea, which brought a significant increase in the sales revenue of the Group from its Korean market, from approximately RMB35.6 million for the twelve months ended 31 December 2014 to approximately RMB72.0 million.

The Group's revenue by geographical regions for the twelve months ended 31 December 2015 and their respective year-on-year change are as follows:

	Twelve months ended 31 December 2015		Twelve months ended 31 December 2014		Year-on-Year Change
	RMB'000	**%**	RMB'000	%	%
Hong Kong	**1,063,644**	**47.4**	1,337,422	51.2	-20.5
PRC	**1,107,227**	**49.4**	1,240,999	47.5	-10.8
Korea	**71,951**	**3.2**	35,616	1.3	102.0
Others	**0**	**0**	191	0	-100.0
Total	**2,242,822**	**100.0**	2,614,228	100.0	-14.2

CHANGE OF COMPANY NAME

Following the Resumption, all conditions to the change of Company name have been fulfilled, and hence the change of the Company's English name from "Proview International Holdings Limited" to "TCL Display Technology Holdings Limited" and the adoption of the Chinese name "TCL顯示科技控股有限公司" as the second name of the Company to replace the Chinese name "唯冠國際控股有限公司" which has been used for identification purposes only became effective on 25 June 2015. The board ("Board") of directors ("Directors" and each a "Director" of the Company) believes that the change of Company name provides a new corporate image for the Company and better reflects the business focus and development strategy of the Group in the future.

OUTLOOK

Looking ahead to 2016, the global economic outlook remains uncertain. In view of the continuing weakness of the global economy and the on-going economic restructuring in the PRC, the growth of the mobile smart device market will continue to slowdown, and the intensifying market competition will lead to greater price pressure. Meanwhile, the domestic display module market industry has entered into a phase of in-depth integration and upgrading, and will gradually phase out small and medium-sized enterprises which fail to excel in technology, resources or financial strength, thus increasing the market concentration. Facing with the complex and volatile business environment, the Group will strive to identify new customers, optimize the product structure and strengthen product development capabilities, with a view to meeting the market demand with its better and higher-end products.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's existing customers include a number of well-known international and PRC branded customers. In the following year, apart from reinforcing collaboration with existing customers and strengthening business cooperation with end-customers, the Group will also strive to explore new clients in order to boost sales and expand market share.

In order to maintain the competitiveness of the Group's products, the Group is committed to enhancing its capability in product and technology development. In response to the aspiration of smart device users in higher display quality and power efficiency, on-cell embedded module products have been put into mass production by the Group in first quarter of 2015. As the supply of low-temperature poly-silicon (LTPS) glass panel is expected to increase in the second half of 2016, the Group is confident that stable supply will be secured to meet the market need. On-cell and LTPS LCD module products are expected to account for a greater proportion of the Group's total sales and should contribute to boost sales and gross profit of the Group. Moreover, the development effort on in-cell embedded module products has also borne fruits. Mass production has commenced and the first shipment is scheduled for delivery in the first half of 2016. In 2016, the Group will continue to increase investment in product development, and develop more diversified laminated module products through joint research and development with its core customers. Due to the increasing demand for higher-end laminated module products, the Group expects to maintain a sustained growth in the sales of laminated display module products which shall become the Group's driver of growth in the future.

FINANCIAL REVIEW

Results

For the eighteen months ended 31 December 2015

During the Review Period, the audited consolidated revenue of the Group increased by 47.7% to approximately RMB3.69 billion from approximately RMB2.50 billion for the Comparative Period.

The gross profit margin of the Group decreased from 9.4% for the Comparative Period to 7.9% for the Review Period.

For the Review Period, the Group recorded a profit attributable to owners of the parent amounting to approximately RMB26.4 million against profit of approximately RMB89.7 million for the Comparative Period. Basic earnings per share was RMB3.37 cents, as compared to RMB15.28 cents for the Comparative Period. The significant decrease in net profit for the Review Period was primarily due to (i) the one-off listing expense of approximately RMB142 million, details of which are set out in note 25 to the Financial Statements; and (ii) the price cuts caused by the intense competition in the LCD module market during the Review Period.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained robust liquidity position during the Review Period. The Group's principal financial instruments comprise cash and cash equivalents and interest-bearing bank loans. The Group's cash and cash equivalents balance as at 31 December 2015 amounted to approximately RMB287 million, of which 59.8% was in US dollar, 30.3% was in RMB, and 9.9% was in HK dollar. As at 31 December 2015, the Group's interest-bearing bank loans were approximately RMB137 million. As at 31 December 2015, total equity attributable to owners of the parent was approximately RMB105 million (30 June 2014: RMB131 million), and the gearing ratio was 14.7% (30 June 2014: 5.1%). The gearing ratio is calculated based on the Group's total interest-bearing loans (including bank borrowings and bonds payable) divided by total assets.

Pledge of assets

There was no pledge of assets by the Group as at 31 December 2015.

Capital commitments and contingent liabilities

	31 December 2015 RMB'000	30 June 2014 RMB'000
Plant and equipment:		
Contracted, but not provided	**17,594**	47,850

As at 31 December 2015, the Group had no significant contingent liabilities (30 June 2014: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Pending litigation

Upon the schemes of arrangement made between the Company and the certain creditors under Section 670 and 673 of the Companies Ordinance (Cap. 622) of Hong Kong (the "Hong Kong Scheme") and Section 99 of the Companies Act 1981 of Bermuda (the "Bermuda Scheme", together with the Hong Kong Scheme, hereinafter collectively referred to as the "Schemes") becoming effective on 16 April 2015, all litigations which were being undertaken against and for the Group as at 16 April 2015 have been transferred to a special purpose vehicle (the "SchemeCo") established and controlled by the Hong Kong Scheme administrators.

Pursuant to the terms of the Hong Kong Scheme, the Company as assignor and the SchemeCo as assignee entered into a deed of assignment of claims on 24 June 2015 pursuant to which, among other things, the SchemeCo undertook that it would make an application to the court to substitute itself as the plaintiff in The Company (Plaintiff) vs Ms. HUI Siu-ling, Elina (1st Defendant) and Ms. WANG Pik-lan (2nd Defendant) – High Court Action 1564 of 2011. Upon application by the SchemeCo and by way of an order dated 27 October 2015, the High Court has ordered the SchemeCo to substitute itself as the plaintiff in the aforesaid proceedings.

Save as the aforesaid, the Group had not been involved in any material litigation during the period from Resumption to 31 December 2015.

Foreign exchange risk

The Group's business and operations is facing the international market, thus it is inevitable for the Group to be exposed to the risk of foreign exchange transactions and conversion.

The Group is committed to striking a balance among trades, assets and liabilities that are denominated in foreign currencies to achieve a natural hedging effect. In addition, pursuant to prudent financial management, the Group has not conducted or engaged in any high-risk derivative transactions or leveraged foreign exchange contracts.

Significant investments held

There were no significant investment held as at 31 December 2015.

Material acquisition and disposals

(i) Disposal

Upon the Schemes becoming effective on 16 April 2015, all the then subsidiaries of the Company were transferred to the SchemeCo a nominal consideration of HK$1.00 pursuant to the terms of the Hong Kong Scheme.

(ii) Acquisition

On 17 April 2015, the Company completed the acquisition of the entire issued share capital of TCL Intelligent Display Electronics Limited and Taixing Investment Limited, which together indirectly held the entire interest in TCL Display (the "Acquisition") which is engaged in the operation of manufacturing and sale of LCD modules for mobile phones and tablets at an aggregate consideration of HK$550,000,000. The Acquisition constituted a very substantial acquisition and a deemed new listing of the Company under the Listing Rules and therefore was subject to the reporting, announcement and Shareholders' approval requirement.

After the acquisition, TCL Display became an indirect wholly-owned subsidiary of the Company. Details of the Acquisition are disclosed in the circulars of the Company dated 30 June 2014 and 16 February 2015 and are set out in note 2 to the financial statements.

Save as disclosed above, the Group did not undertake any other significant acquisition or any disposal of subsidiaries or assets during the eighteen months ended 31 December 2015.

Employees and remuneration policies

As at 31 December 2015, the Group had a total of 3,347 employees. During the Review Period, the total staff costs amounted to approximately RMB242 million. The Group has reviewed the remuneration policy by reference to the existing legislations, market conditions, as well as the performances of employees and the Company.

DIRECTORS & SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Li Jian

aged 45, an executive director and Chief Executive Officer (CEO) of the Company, and also a member of the remuneration committee and the nomination committee. He is currently the president and general manager of TCL Display, responsible for overall operational management. Mr. Li joined TCL Corporation ("TCL Corp") and its subsidiaries (collectively, the "TCL Group" which for the purpose of hereof shall exclude the Group) in 1996. He held positions of marketing manager, business manager and deputy general manager of Xi'an TCL Appliances Sales Company Limited (西安TCL電器銷售公司) from March 1996 to December 2001. From January 2002 to July 2005, Mr. Li was northwest district general manager and assistant to the general manager of TCL White Household Appliances Division (TCL白家電事業部), responsible for sales and sales management. From July 2005 to December 2005, Mr. Li also served as operation and sales manager of projector division of TCL Group Parts Business Unit Headquarter (TCL集團部品事業部本部), responsible for sales and sales management. From January 2006 to March 2008, Mr. Li was northwest district supervisor of TCL CRTVU-online business division (TCL電大在線事業部), responsible for sales and sales management. From April 2008 to September 2010, Mr. Li served as deputy general manager of TCL Display, responsible for matters of operation and sales. Mr. Li has rich experience in sales, branch office and district management. Mr. Li obtained a Bachelor's degree in human resources management (online education) in Nankai University (南開大學) in July 2009. He completed an international business administration and creative leadership management training course at Yangtze Delta Region Institute of Tsinghua University (清華長三角研究院) in March 2011 and obtained a Master's degree in business administration from Ursuline College in January 2013.

Mr. Ouyang Hongping

aged 39, an executive director and Chief Operating Officer (COO) of the Company. He joined the TCL Group in 2004. From August 2004 to December 2008, he was the chief engineer of TCL Display, responsible for supervising engineering related matters, including production planning and management. Since January 2009, he has also been the deputy general manager of TCL Display, responsible for supervising engineering related matters, including research and development, procurement, production planning and management. Mr. Ouyang graduated from the University of Nanchang (南昌大學) in July 1999 with a Bachelor's degree in industrial automation.

Ms. Yang Yunfang

aged 41, an executive director and financial director of the Company. Ms. Yang has rich experience in accounting and finance. She joined the TCL Group in 2006. From July 2006 to August 2007, she was the financial accountant of TCL Display, responsible for financial accounting and analysis. From September 2007 to July 2010, she was the finance manager of TCL Display, responsible for financial management and analysis. Since July 2010, she has been the finance director of TCL Display, responsible for financial management and supervision. Ms. Yang graduated from Jiangxi University of Finance and Economics (江西財經大學) in July 1999 with a Bachelor's degree in accountancy.

Mr. Li Yuguo

aged 48, an executive director of the Company who has resigned on 10 March 2016. Mr. Li joined the TCL Group in 1999. He held positions of PMC manager, assistant to general manager and factory manager of TCL Technoly Electronics (Huizhou) Co., Ltd. from November 1999 to December 2002, responsible for matters in relation to production, technology, supply chain and operational management. From December 2002 to January 2008, Mr. Li served as general manager of the Global Procurement Centre of TCL Multimedia Technology Holdings Limited, the issued share of which are listed on the Stock Exchange (Stock Code: 1070), responsible for global procurement matters. Since February 2008, Mr. Li has been general manager of Huizhou Shenghua Industry Company Limited, responsible for overall operational management. Mr. Li has 19 years of experience in production, procurement and operation management. Prior to joining the TCL Group, Mr. Li held various positions in LG Electronics (Huizhou) Company Limited from March 1994 to November 1999, such as mechanical engineer, production manager, procurement manager and PMC manager, responsible for matters of technology, production, procurement and supply chain management. Mr. Li obtained an Executive Master's degree in business administration ("EMBA") from South China University of Technology in December 2011 and a Bachelor's degree in engineering from Central South University of Technology (now known as Central South University) in July 1991.

Mr. Zhao Yong

aged 46, was appointed as an executive director of the Company on 10 March 2016. Mr. Zhao currently holds the following positions in subsidiaries of TCL Corp, namely, the chief operating officer and a director of Shenzhen China Star Optoelectronics Technology Co., Ltd since September 2011, responsible for supply chain management and monitoring of engineering related matters, such as research and development, procurement, production planning and management; and a director, the legal representative and general manager of Wuhan China Star Optoelectronics Technology Co., Ltd since May 2014. Mr. Zhao joined the TCL Group in 2004. From June 2004 to October 2010, he was a general manager of TCL Display, responsible for the overall operational management. From October 2010 to September 2011, he had served as a general manager of TCL Optoelectronics Technology (Huizhou) Co., Ltd. responsible for the overall operational management. Mr. Zhao obtained an EMBA degree at 中歐國際工商學院 (China Europe International Business School*) in September 2011.

* *for identification only*

DIRECTORS & SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTOR

Mr. YUAN Bing

aged 46, the Chairman and a non-executive director of the Company and also the chairman of the nomination committee and a member of the remuneration committee of the Company. He is also the chairman of T.C.L. Industries Holdings (H.K.) Limited (a wholly-owned subsidiary of TCL Corp), the chairman and a non-executive director of Tonly Electronics Holdings Limited, the issued shares of which are listed on the Stock Exchange (Stock Code: 1249) and the vice president of TCL Corp, the issued shares of which are listed on the Shenzhen Stock Exchange (stock code: 100). Mr. Yuan currently holds certain positions in the TCL Group, namely, the president and a director of Xinjiang TCL Equity Investment Co., Ltd and the legal representative and chairman of Beijing Sinopharm Hundric Medline Info. Tech. Co., Ltd., the legal representative and chairman of Guangzhou TCL Medical Equipment Co., Ltd, the legal representative and chairman of Beijing Wemed Medical Equipment Co., Ltd.* (北京唯邁醫療設備有限公司), a director of Highly Information Industry Co. Ltd and a director of TCL New Technology (Huizhou) Co., Ltd. Mr. Yuan also holds certain positions in a number of entities in which the TCL Group invests, including the legal representative and an executive director of Urumqi TCL Chuangdong Equity Investment Management Co., Ltd, the legal representative and chairman of Huizhou TCL Kaichuang Enterprise Management Co., Ltd, an executive partner (authorised representative) of Huizhou Kaichuang Venture Capital Partners (Limited Partnership), the legal representative and an executive director of Nanjing Chuangdong Equity Investment Fund Management Co., Ltd., an executive partner (authorised representative) of Nanjing Zijin Chuangdong Investment Partnership (Limited Partnership), the legal representative and chairman of Shanxi TCL-Huirong Venture Capital Management Co., Ltd., a director of Shanxi TCL-Huirong Creative Investment Co., Ltd., the legal representative and chairman of Urumqi TCL Equity Investment Management Co., Ltd.* (烏魯木齊TCL股權投資管理有限公司), an executive partner (authorised representative) of TCLWX Creative Capital Partnership (Limited Partnership), a director of Yixing Jiangnan Tianyuan Investment Consulting Co., Ltd.* (宜興江南天源投資諮詢有限公司), the legal representative and chairman of Urumqi Qixinda Equity Investment Management Co., Ltd., an executive partner (accredited representative) of Wuxi TCL-SK Semiconductor Industry Investment Fund Partnership (Limited Partnership)* (無錫TCL愛思開半導體產業投資基金合夥企業(有限合夥)), an executive partner (accredited representative) of Xinjiang Dongpeng Waichuang Equity Investment Partnership (Limited Partnership)* (新疆東鵬偉創股權投資合夥企業(有限合夥)), a director of Tibet Rongxin Venture Capital Management Co., Ltd, the legal representative and executive director of Tibet Dongwei Investment Management Co., Ltd.* (西藏東偉投資管理有限公司), a director of Pharmaxyn Laboratories Ltd., a director of Wuxi DK Electronic Materials Co., Ltd.* (無錫帝科電子材料科技有限公司), a director of Beijing Enji Saiwei Energy Saving Technology Co., Ltd.* (北京恩吉賽威節能科技有限公司), a director of CRTVU-Online Educational Technology Co., Ltd., a director of Petro AP Company Limited, a director of Petro AP (Hong Kong) Company Limited, a director of Shanxi United Magnesium Industry Co., Ltd., a director of National Day International Limited* (華慶國際有限公司), a director of Golive Limited, a director of GOLIVE MOVIES LIMITED, a director of Eastern Ray Investment Limited* (東輝投資有限公司), a director of Global Fortune Ventures Limited* (環球機遇有限公司) and a director of Shenzhen Momoda Internet Communication Company Limited. Mr. Yuan is also the legal representative and an executive director of Shenzhen Empyrean Matrix Investment Management Co., Ltd.* (深圳市九天矩陣投資管理有限公司), and a supervisor of Huizhou Dongxu Zhiyue Equity Investment Management Co., Ltd.* (惠州市東旭智嶽股權投資管理有限公司). Mr. Yuan joined TCL Corp in May 1999. From May 1999 to August 2000, Mr. Yuan was a supervisor of the Financial Department of TCL Corp. From September 2000 to May 2004, he was a manager of the Financial Department of TCL International Holdings Company Limited. From May 2004 to May 2005, he was the deputy general manager of TCL International Holdings Limited. He successively served as the vice chief and chief at the Strategic Development Department of TCL Corp during the period from January 2002 to May 2005 and from June 2005 to July 2005 respectively. From August 2005 to April 2006, he was the general manager of the Financial Management Centre of TCL Corp. He was an executive director and the chief financial officer of TCL Multimedia from October 2006 to January 2009. From May 2006 to June 2008, he was the financial director of TCL Corp. He was the adjunct head of department of the Investment Management Department of the Financial Management Centre of TCL Corp from July 2006 to September 2007. He was the vice-president of TCL Corp from July 2007 to January 2011. He was the senior vice-president of TCL Corp from February 2011 to July 2011. Mr. Yuan has over 25 years of experience in the consumer electronic products industry.

* *for identification only*

DIRECTORS & SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. HSU Wai Man, Helen

aged 46, an independent non-executive director and the chairlady of the audit committee of the Company, and also a member of the remuneration committee and the nomination committee of the Company. Ms. Hsu has over 20 years' experience in accounting. Ms. Hsu graduated from The Chinese University of Hong Kong (香港中文大學) with a Bachelor's degree in business administration. Ms. Hsu had worked with Ernst & Young for 18 years and was a partner before she retired from the firm in February 2011. Ms. Hsu is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants. Ms. Hsu is currently an independent non-executive director of the following companies whose shares are listed on the Stock Exchange: Perfect Shape (PRC) Holdings Limited (stock code: 1830), Branding China Group Limited (stock code: 863), Richly Field China Development Limited (stock code: 313) and Titan Petrochemicals Group Limited (stock code: 1192).

Mr. XU Yan

aged 52, an independent non-executive director and the chairman of the remuneration committee of the Company, and also a member of the audit committee and the nomination committee of the Company. Mr. Xu has been associate dean of the School of Business of the Hong Kong University of Science and Technology (香港科技大學) for the courses of EMBA for Chinese Executives, Executive Programs and China Strategy since 2011, as well as associate professor of the Department of Information Systems, Business Statistics and Operations Management of the Hong Kong University of Science and Technology since 2004. Mr. Xu has rich experiences in management of technology innovation as well as research in telecommunication regulations and policies. He is currently the president of the Regulation Issues Group of the Communications Association of Hong Kong, a member of the Telecommunications Regulatory Affairs Advisory Committee of the Office of the Communications Authority and a member of the board of directors of the International Telecommunications Society. Mr. Xu graduated from Beijing Institute of Posts and Telecom (北京郵電學院) (now known as Beijing University of Posts and Telecom (北京郵電大學)) in July 1984 with a Bachelor's degree in telecom engineering. He obtained a Master's degree in telecom management from Beijing University of Posts and Telecom in April 1987 and a Doctor of Philosophy degree in research in telecommunications policy in the Department of Human Resource Management from Strathclyde University, the United Kingdom, in July 1997.

Mr. LI Yang

aged 47, an independent non-executive director and a member of the audit committee, the remuneration committee and the nomination committee of the Company. Mr. Li obtained PRC lawyer qualification in 1998 and was admitted as a practicing lawyer in 2002, and has served as professor and doctoral tutor (博士生導師) of the Law School of Shenzhen University (深圳大學) since 2011. Mr. Li graduated from the Zhongnan School of Political Science and Law (中南政法學院) (now known as Zhongnan University of Economics and Law (中南財經政法大學)) in 1990 with a Bachelor's degree in law. He received his Master's degree and Doctorate degree in law from the Peking University (北京大學) Law School in 1996 and 2003 respectively and finished the post-doctoral research fellowship in Wuhan University (武漢大學) in 2006. Mr. Li has rich experiences in intellectual property law (including patent, trademark, copyright, anti-unfair competition and antitrust), intellectual property management and intellectual property personnel training. Mr. Li is currently an arbitrator of the South China International Economic and Trade Arbitration Commission and the deputy secretary-general and an executive council member (常務理事) of China Intellectual Property Law Association, an executive council member (常務理事) of China Law Association on Science and Technology and a part time researcher of the Research Center on Judicial Protection of Intellectual Property of the Supreme People's Court (最高人民法院知識產權司法保護研究中心).

DIRECTORS & SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. DING Yiwen

aged 49, the human resources director of the Company and the deputy general manager of the Group. Mr. Ding joined the TCL Group in 2004 and has substantial experience in the LCD industry. He has been a deputy general manager of TCL Display since May 2004, responsible for human resources management. Mr. Ding graduated from South China University of Technology (華南理工大學) in June 1988 with a Bachelor's degree in electronic vacuum and obtained a Master's degree in electric physics and devices from Zhejiang University (浙江大學) in March 1991. Mr. Ding also completed an international business administration and creative leadership management training course at Yangtze Delta Region Institute of Tsinghua University in November 2010.

Mr. YU Hui

aged 41, the marketing director of the Group. Mr. Yu joined the TCL Group in 2004. From January 2004 to May 2005, he was the operation analyst and assistant to general manager office of TCL Air Conditioning (Zhongshan) Company Limited (TCL空調(中山)有限公司), responsible for publishing operation reports and conducting operation analysis as well as handling administrative business and daily matters of general manager respectively. From May 2005 to August 2007, he was the government relationship manager of Beijing representative office of TCL Corp President Office (TCL總裁辦北京代表處), responsible for managing public relations for TCL Corp with the relevant government authorities and state-owned banks in Beijing. Since September 2007, he has been the marketing manager and marketing director of TCL Display, responsible for supervision and planning management of sales and marketing. Prior to joining TCL Display, Mr. Yu held the positions of technologist and supervisor in Hubei Huangshi Power Generation Company Limited (湖北黃石發電股份有限公司) from July 1995 to September 2002. Mr. Yu graduated from North China Electric Power University (華北電力大學) in July 1995 with a Bachelor's degree in thermal energy and power engineering and obtained a Master's degree in business administration from Wuhan University (武漢大學) in June 2004.

COMPANY SECRETARY

Ms. CHOY Fung Yee

aged 32, the Company Secretary of the Company. She is a practising lawyer in Hong Kong and a partner of Messr. Cheung Tong & Rosa Solicitors, Hong Kong. Ms. Choy graduated from the University of Hong Kong (香港大學) in 2006 with a Bachelor's degree in laws and obtained a Postgraduate Certificate in Laws from the University of Hong Kong in 2007.

CORPORATE GOVERNANCE REPORT

INTRODUCTION

The Board aims to achieve a high standard of corporate governance and business ethics in pursuing its mission of becoming the leader in the LCD module industry. The Group's ultimate goal is to maximise values for its shareholders and customers, and to provide opportunities for employees.

Upon the Resumption, the Company has adopted a corporate governance code prepared based on the code provisions (the "Code Provisions") of the latest revised code on corporate governance (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as the guidelines for corporate governance of the Company, and has taken steps to comply with the CG Code wherever appropriate.

CORPORATE GOVERNANCE

To the best knowledge of the current directors of the Company, the Company had applied the principles as set out in the CG Code contained in Appendix 14 of the Listing Rules since Resumption up to 31 December 2015. Due to the severe financial difficulties of the Company (together with its then subsidiaries as a group) prior to the Reverse Takeover Transaction and the Resumption and the prolonged suspension in trading of the shares of the Company on the Stock Exchange, the directors of the Company are unable to comment as to whether the Company had complied with the CG Code throughout the period from 1 July 2014 to 24 June 2015.

As disclosed in the circular of the Company dated 30 June 2014, the Company upon Resumption adopted a system of corporate governance and has observed the CG Code wherever appropriate.

In preparing for the Resumption and to demonstrate that the Company has fulfilled all requirements for Resumption, the Company has, among other things, taken the following steps:

1. following completion of the acquisition of the entire interest in TCL Display Technology (Huizhou) Co., Ltd. by the Company on 17 April 2015, adopted the CG Code and Corporate Governance Report with effect from 17 April 2015 which sets out principles of good corporate governance in relation to, among other matters, directors, the chairman and chief executive officer, board composition, the appointment, re-election and removal of directors, their responsibilities and remuneration and communications with shareholders;

2. with effect from 25 June 2015, appointed three independent non-executive directors ("Independent Non-Executive Directors"), namely Ms. Hsu Wai Man Helen, Mr. Xu Yan and Mr. Li Yang, constituting not less than one-third of the members of the Board upon Resumption as required under Rule 3.10A of the Listing Rules;

3. established the audit committee, remuneration committee and nomination committee of the Board with the respective written terms of reference in compliance with the CG Code with effect from 25 June 2015;

4. with effect from 25 June 2015, appointed Ms. Choy Fung Yee ("Ms. Choy"), a partner of the Company's Hong Kong legal adviser, Cheung Tong & Rosa Solicitors, as the company secretary of the Company;

5. adopted, among others, the board diversity policy, the shareholders' communication policy, procedures for shareholders to propose a person for election as a director, respective codes for securities transactions by Directors and relevant employees pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), and procedure for employees raising concerns about possible improprieties in financial reporting, internal control or other matters, all with effect from 25 June 2015;

6. with effect from 25 June 2015, Ms. Sun Min resigned from the positions of chairman and chief executive officer of the Company and such positions were respectively taken up by Mr. Li Yuguo (who then ceased to be the chairman with effect from 11 August 2015 and on the same date Mr. Yuan Bing took up the position of chairman of the Company) and Mr. Li Jian in compliance with Code Provision A.2.1; and

CORPORATE GOVERNANCE REPORT

7. following the appointment of Ms. Yang Yunfang, executive director of the Company on 20 April 2015 and as at the date of this report, arranged and maintained appropriate insurance coverage for the directors of the Company in compliance with Code Provision A.1.8.

During the period from Resumption on 25 June 2015 to 31 December 2015, the Company has complied with the Code Provisions with the following exceptions:

Under Code Provision A.1.1, the Board shall meet regularly and at least four times a year at approximately quarterly intervals.

As Resumption took place on 25 June 2015 and the audit committee, nomination committee and remuneration committee were established upon Resumption, the Board and the Board committees, including the audit committee, nomination committee and remuneration committee, only convened and held 2 regular board meetings, 2 audit committee meetings, 1 nomination committee meeting and 1 remuneration committee meeting during the period from Resumption to 31 December 2015.

Under Code Provision C.3.3(e)(i), the audit committee must meet, at least twice a year, with the issuer's auditors.

As Resumption took place on 25 June 2015 and the audit committee was established upon Resumption, the audit committee only met once with the Company's auditors in respect of the review of the Company's 2015 interim report. Since Resumption to 31 December 2015, the audit committee also met with the Company's auditors to discuss the nature and scope of the audit and reporting obligations for the eighteen months ended 31 December 2015 before the audit commenced.

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

The company secretary of the Company, Ms. Choy, is a partner of the Company's legal advisor, Cheung Tong & Rosa Solicitors. Although Ms. Choy is not an employee of the Company, she has taken primary advisory role to TCL Display Technology (Huizhou) Co., Ltd. (being the subject matter to the Reverse Takeover Transaction as defined in note 2 to Financial Statements) in the capital restructuring, debt restructuring, open offer and the Reverse Takeover Transaction and Resumption. The Company has also assigned Mr. Hui Yuk Fung, the Vice Director of Corporate Finance and Investor Relations of the Company, as the contact person with Ms. Choy. Information in relation to the performance, financial position and other major developments of the Group are speedily delivered to Ms. Choy through the contact person assigned, to enable Ms. Choy 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. Choy as the company secretary is beneficial to the Group's compliance with the relevant board procedures, applicable laws, rules and regulations.

Save as disclosed above, none of the Directors is aware of any information which would reasonably indicate that the Company had not, throughout the period from 25 June 2015 to 31 December 2015, fully complied with the code provisions set out in the CG Code.

COMPLIANCE WITH DEED OF NON-COMPETITION

The Company has received the confirmation signed by TCL Corporation on 22 February 2016, and the confirmations signed by T.C.L. Industries Holdings (H.K.) Limited, Taibang Investment Limited, Ketai Investment Limited, Litai Investment Limited, Taigang Investment Limited, Liyuan Holdings Limited, Gaosheng Holdings Limited, Zhuoxian Investment Limited, Jinyuan Investment Limited, Taihua Investment Limited and Shengmao Holdings Limited (with TCL Corporation, collectively the "Covenantors") on 19 February 2016 (collectively, the "Confirmations") confirming that for the period from Resumption to 31 December 2015 and up to the date of signing the Confirmations by the relevant Covenantor, each of them have fully complied with the deed of non-competitions respectively executed by the Covenantors in favour of the Group on 17 April 2015 (the "Deed of Non-Competition") and, in particular, each of them and their respective associates have not, directly or indirectly, carry on or be engaged or interested in the research and development, manufacturing, sales and distribution of LCD modules for use in mobile phones, which is from time to time carried on or engaged or interested in by the Group.

The Independent Non-Executive Directors of the Company have reviewed the Confirmations and all of them are satisfied that the Deed of Non-Competition have been complied with during the period from Resumption to 31 December 2015.

CORPORATE GOVERNANCE REPORT

DIRECTORS

The Board

The Board, led by the chairman, steers the Company's business direction. It is responsible for formulating the Company's long-term strategies, setting business development goals, assessing results of management policies, monitoring the management's performance and ensuring effective implementation of risk management measures on a regular basis.

The Directors meet regularly to review the Group's financial and operational performance and to discuss and formulate future development plans. Regular Board meetings are attended by a majority of the directors in person or through other electronic means of communication.

Board Composition

There are currently 8 Directors, all with professional backgrounds and/or extensive expertise for the direction and oversight of the Group's strategic priorities. The Board of the Company currently comprises the following Directors:

Non-Executive Director

Mr. YUAN Bing (Chairman) *(appointed on 11 August 2015)*

Executive Directors

Mr. LI Yuguo (Chairman) *(ceased to be Chairman on 11 August 2015 and resigned on 10 March 2016)*
Mr. LI Jian (Chief executive officer)
Ms. JING Chunmei *(resigned on 11 August 2015)*
Mr. OUYANG Hongping
Ms. YANG Yunfang
Mr. ZHAO Yong *(appointed on 10 March 2016)*

Independent Non-Executive Directors

Ms. HSU Wai Man Helen
Mr. XU Yan
Mr. LI Yang

An updated list of the Company's Directors by category identifying their role and function is at all times available on the websites of the Group and the Stock Exchange. The list specifies whether the Director is an Independent Non-Executive Director and expresses the respective roles and functions of each Director.

The Company identifies the Independent Non-Executive Directors in all corporate communications which disclose the names of directors.

Details of the biographies of the Directors are given under the section "Directors and Senior Management" of this annual report on pages 13 to 16.

There are no relationships (including financial, business, family or other material or relevant relationships) among members of the Board.

The Independent Non-Executive Directors play an important role on the Board. Accounting for more than one-third of the Board members, they are experienced professionals in their respective fields. They are responsible for ensuring that the Board maintains high standards of financial and other mandatory reporting as well as providing adequate checks and balances for safeguarding the interest of shareholders of the Company and the Group as a whole. Since Resumption up to 31 December 2015, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one of them possessing appropriate professional qualifications on accounting or related financial management expertise. The number of Independent Non-Executive Directors has represented at least one-third of the Board.

CORPORATE GOVERNANCE REPORT

Number of meetings attended/eligible to attend from Resumption up to 31 December 2015

Since Resumption up to 31 December 2015, the Board held 2 regular meetings and 8 additional meetings. The Company did not hold any general meeting during the period from Resumption to 31 December 2015.

Attendance of individual Directors at the Board meetings and general meetings since Resumption up to 31 December 2015 is as follows:

	Regular Board Meetings	Additional Board Meetings concerning special matters requiring the Board's decisions
Non-Executive Director		
Mr. YUAN Bing (Chairman) *(appointed on 11 August 2015)*	1/1	3/4
Executive Directors		
Mr. LI Yuguo (Chairman) *(ceased to be Chairman on 11 August 2015 and resigned on 10 March 2016)*	2/2	7/8
Mr. LI Jian (Chief executive officer)	2/2	8/8
Ms. JING Chunmei *(resigned on 11 August 2015)*	1/1	4/4
Mr. OUYANG Hongping	1/2	8/8
Ms. YANG Yunfang	2/2	8/8
Independent Non-Executive Directors		
Ms. HSU Wai Man Helen	1/2	7/8
Mr. XU Yan	2/2	6/8
Mr. LI Yang	2/2	3/8

Notice of regular Board meetings are served to all Directors at least 14 days before the meeting while reasonable notice is generally given for other Board meetings.

Agenda and Board papers together with all appropriate, complete and reliable information are sent to all Directors in a timely manner, and at least 3 days before the intended date of each Board or Board committee meeting, except agreed otherwise among the members, to ensure that they had sufficient time to review the board papers, be adequately prepared for the meeting, keep the Directors apprised of the latest developments and financial position of the Company and to enable them to include any matter in the agenda and to make informed decisions.

The Board and each Director, upon reasonable request, have access to independent professional advice to assist them in performing their duties to the Company, at the Company's expense. When needed and upon making request to the Board, directors may obtain independent professional advice at the Company's expense in carrying out their duties.

Minutes of all Board meetings and Audit Committee, Remuneration Committee and Nomination Committee are kept by the company secretary. All of the above minutes record the discussions and decisions reached by the relevant members in sufficient detail the matters considered and decisions reached, including any concern raised by directors or dissenting views expressed. Any director may inspect the minutes at any reasonable time on reasonable notice.

Draft minutes are normally circulated to Directors or members of the relevant committee for comment within a reasonable time after each meeting and the final version is sent to all Directors or committee members for their record.

CORPORATE GOVERNANCE REPORT

According to the current Board practice, any transaction, which involves a conflict of interests between a substantial shareholder or a Director on the one part and the Company on the other part, will be considered and dealt with by the Board at a duly convened Board meeting with the presence of the Independent Non-Executive Directors who have no material interest in the said transaction. Directors shall abstain from voting and not be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

The Company has maintained appropriate insurance cover in respect of legal action against its Directors and officers arising out of corporate activities.

Chairman and CEO

The Company fully supported the division of responsibility between the Chairman of the Board and the CEO to ensure a balance of power and authority. The position of the Chairman was held by Mr. LI Yuguo (since Resumption up to 11 August 2015), and Mr. YUAN Bing (since 11 August 2015) while the position of CEO was held by Mr. LI Jian since Resumption.

This ensures a clear distinction between the Chairman's duty to manage the Board and the CEO's duty to oversee the overall internal operation of the Company.

Appointments, re-election and removal of members of the Board

Under bye-law 84 of the bye-laws of the Company ("Bye-Laws"), at each AGM, one-third of the directors for the time being shall retire from office by rotation and every director shall be subject to retirement by rotation at least once every 3 years while those retiring directors shall be eligible for re-election. Any director who has not been subject to retirement by rotation in the 3 years preceding the AGM shall retire by rotation at such AGM.

Independent Non-executive Directors

Pursuant to Rule 3.13 of the Listing Rules, the Company has received a written confirmation from each Independent Non-Executive Director of his/her independence to the Company. The Company has assessed the independence and considers all of the independent non-executive directors to be independent based on the independence criteria in accordance with the requirements in the Listing Rules, their non-involvement in the daily operation and management of the Group and the absence of any relationships which will interfere with the exercise of their independent judgement.

The Company confirms that year of service of all the Independent Non-Executive Directors is less than 9 years.

Non-executive Directors

Under the Code Provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election.

Each of the non-executive Directors namely Mr. YUAN Bing and the three Independent Non-Executive Directors namely Ms. HSU Wai Man Helen, Mr. XU Yan and Mr. LI Yang, has been appointed for a specific term of 3 years subject to re-election in accordance with Code Provision A.4.1.

Nomination of Directors

Upon Resumption on 25 June 2015, the Board has established the Nomination Committee to provide a framework and set the standards for the appointment of high quality directors who should have the capacity and ability to lead the Company towards achieving sustainable development. It considers matters regarding the nomination and/or appointment or re-appointment of director(s).

Details of the Nomination Committee are set out in the sub-section headed "Nomination Committee" below.

CORPORATE GOVERNANCE REPORT

Responsibilities of Directors

If any new director is appointed, the officers of the Company, with assistance from the Company's external legal advisor as to Hong Kong law, will work closely with the newly appointed directors both immediately before and after his/her appointment to acquaint the newly appointed directors with the duties and responsibilities as a director of the Company and the business operation of the Company.

A package compiled and reviewed by the Company's legal advisor as to Hong Kong law setting out such duties and responsibilities under the Listing Rules, Companies Ordinance and other related law and relevant regulatory requirements of Hong Kong is provided to each newly appointed director. The officers of the Company also provides each newly appointed director with a package which includes information relating to the operations and business of the Group. The directors are updated with the latest developments in laws, rules and regulations relating to the duties and responsibilities of directors from time to time. Guidelines for directors issued by the Company Registry of Hong Kong have been forwarded to each director for his/her information and ready reference.

The Board views that the non-executive directors are well-aware of their functions and have been actively performing their functions including but not limited to exercising their independent judgement at the Board meetings, taking the lead where potential conflicts of interest arise, scrutinizing the Company's performance and providing constructive and informed advice on the business strategy, policy, performance and management of the Company. They regularly review the financial information, monitor the operational performance of the Company and serve on the Audit Committee, Remuneration Committee and Nomination Committee.

The Directors have disclosed to the Company at the time of their appointment, and in a timely manner for any change, the number and nature of offices they held in public companies or organisations and other significant commitments. They have also informed the Company of the identity of other public companies or organisations they serve and the time involved in these public companies or organisations.

All directors have devoted their time and attention to the affairs of the Company with their hands-on knowledge and expertise in the areas and operation in which he/she is charged with. The contribution made by the directors to the affairs of the Company is measured in terms of time as well as quality of the attention and the ability of the directors with reference to his/her necessary knowledge and expertise. The satisfactory attendance of Board meetings, general meetings and board committee meetings indicates the constant participation of all directors, including executive, non-executive and independent non-executive directors and ensures the better understanding of the views of shareholders by all directors. The extent of participation and contribution should be viewed both quantitatively and qualitatively.

To fulfil their duties properly, where they consider it as necessary to obtain additional information other than that is provided by the management, the directors made inquiries during the Board meetings and board committee meetings. The queries raised by directors have received a prompt and full response.

CORPORATE GOVERNANCE REPORT

Induction and Continuous Professional Development

The directors are continually updated with legal and regulatory developments, and business and market changes to facilitate the discharge of their responsibilities through various Board meetings, resolutions, memos and Board papers. According to the records maintained by the Company, the directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the requirement of the Code on continuous professional development since Resumption to 31 December 2015:

Directors	Read materials	Attend seminars/ briefings
Non-Executive Director		
Mr. YUAN Bing (Chairman) *(appointed on 11 August 2015)*	✓	✓
Executive Directors		
Mr. LI Yuguo (Chairman) *(ceased to be Chairman on 11 August 2015 and resigned on 10 March 2016)*	✓	✓
Mr. LI Jian (Chief executive officer)	✓	✓
Ms. JING Chunmei *(resigned on 11 August 2015)*	✓	✓
Mr. OUYANG Hongping	✓	✓
Ms. YANG Yunfang	✓	✓
Independent Non-Executive Directors		
Ms. HSU Wai Man Helen	✓	✓
Mr. XU Yan	✓	✓
Mr. LI Yang	✓	✓

Securities Transactions Guidelines

The Board has adopted a code of conduct regarding directors' securities transaction on terms no less exacting than the required standard as set out in the Model Code as set out in Appendix 10 to the Listing Rules.

Specific enquiries have been made with all directors and they have confirmed that since Resumption to 31 December 2015, they complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions.

The Directors' interests in shares of the Company as at 31 December 2015 are set out on page 38 of this annual report.

The Board has also established written guidelines on no less exacting terms than the Model Code for the relevant employee, including any employee or a director or employee of a subsidiary or holding company who, because of his office or employment, is likely to be in possession of inside information in relation to the issuer or its securities, in respect of their dealings in the Company's securities.

DELEGATION BY THE BOARD

Management Functions

The Board delegates its powers and authorities from time to time to the Board committees in order to ensure the operational efficiency and specific issues are being handled by relevant expertise. All Board committees are provided with accurate and sufficient information in timely manner so as to enable the Board committees to make informed decisions for the benefit of the Company and sufficient resources to discharge their duties.

CORPORATE GOVERNANCE REPORT

Board Committees

During the period from Resumption to 31 December 2015, the Board had three Board committees, namely the Remuneration Committee, the Audit Committee and the Nomination Committee, all with specific terms of reference, to oversee particular aspects of the Group's affairs.

Attendance of the relevant members of the Board committee at the meetings of the committees since Resumption up to 31 December 2015 is as follows:

	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings
Non-Executive Director			
Mr. YUAN Bing (Chairman) *(appointed as a director, Chairman of the Company and the chairman of the Nomination Committee on 11 August 2015)*	N/A	N/A	0/0
Executive Directors			
Mr. LI Yuguo (Chairman) *(ceased to be Chairman and chairman of the Nomination Committee on 11 August 2015 and resigned on 10 March 2016)*	N/A	N/A	1/1
Mr. LI Jian (Chief executive officer)	N/A	1/1	1/1
Ms. JING Chunmei *(resigned on 11 August 2015)*	N/A	N/A	N/A
Mr. OUYANG Hongping	N/A	N/A	N/A
Ms. YANG Yunfang	N/A	N/A	N/A
Independent Non-Executive Directors			
Ms. HSU Wai Man Helen	2/2	1/1	1/1
Mr. XU Yan	1/2	1/1	1/1
Mr. LI Yang	1/2	0/1	1/1

Nomination Committee

The Nomination Committee was established on 25 June 2015. Majority of the members are Independent Non-Executive Directors. This committee is chaired by Mr. LI Yuguo, an executive director (from Resumption to 11 August 2015) and subsequently Mr. YUAN Bing, a non-executive director (since 11 August 2015) with Mr. LI Jian, an executive Director, Ms HSU Wai Man Helen, Mr. XU Yan and Mr. LI Yang, being Independent Non-Executive Directors, as the other members. The committee held 1 meeting since Resumption up to 31 December 2015.

The Nomination Committee is governed by its terms of reference, which became effective upon Resumption on 25 June 2015, and are closely aligned with the relevant Code Provisions requirements and are available on both the Group's website at http://www.tcldisplay.com and Hong Kong Stock Exchange's website at http://www.hkex.com.hk.

The main duties of the Nomination Committee include the followings:

- review and supervise the structure, size and composition of the Board;
- identify qualified individuals to become members of the Board;
- assess the independence of the independent non-executive directors;
- make recommendations to the Board on the appointment, re-appointment and succession planning of directors, and any proposed change to the Board to implement the Company's corporate strategy;

CORPORATE GOVERNANCE REPORT

- review the board diversity policy ("Board Diversity Policy"); and
- review the sufficiency of time commitment of directors to perform their responsibilities.

The work performed by the Nomination Committee during the period from Resumption to 31 December 2015 included:

– reviewing the current Board structure, diversity and composition; and

– discussing and considering the change of the Board composition during the said period, namely, the resignation of Ms. JING Chunmei as an executive director, nomination of Mr. YUAN Bing as a non-executive director and the change of Chairman.

The Nomination Committee adopted the following procedures for nomination of directors:

1. When there is a vacancy in the Board, the Board evaluates the balance of skills, knowledge and experience of the Board, and identifies any special requirements for the vacancy (e.g. independence status in the case of an independent non-executive director).
2. Prepare a description of the role and capabilities required for the particular vacancy.
3. Identify a list of candidates through personal contacts or recommendations by Board members, senior management, business partners or investors.
4. Arrange interview(s) with each candidate for the Board to evaluate whether he/she meets the established written criteria for nomination of directors. One or more members of the Board will attend the interview.
5. Conduct verification on information provided by the candidate.
6. Make recommendations to the Board on the appointment or re-appointment of directors.

The Nomination Committee adopted the following criteria for nomination of directors:

1. Common criteria for all directors:

    (a) character and integrity;

    (b) the willingness to assume broad fiduciary responsibility;

    (c) present needs of the Board for particular experience or expertise and whether the candidate would satisfy those needs;

    (d) relevant experience, including experience at the strategy/policy setting level, high level managerial experience in a complex organization, industry experience and familiarity with the products and processes used by the Company;

    (e) significant business or public experience relevant and beneficial to the Board and the Company;

    (f) breadth of knowledge about issues affecting the Company;

    (g) ability to objectively analyse complex business problems and exercise sound business judgement;

    (h) ability and willingness to contribute special competencies to Board activities; and

    (i) fit with the Company's culture.

CORPORATE GOVERNANCE REPORT

2. Criteria applicable to non-executive directors/independent non-executive directors:

   (a) willingness and ability to make a sufficient time commitment to the affairs of the Company in order to effectively perform the duties of a director, including attendance at and active participation in Board and committee meetings;

   (b) accomplishments of the candidate in his/her field;

   (c) outstanding professional and personal reputation; and

   (d) the candidate's ability to meet the independence criteria for directors established in the Listing Rules.

Board Diversity Policy

The Company has adopted the Board Diversity Policy that took effect upon Resumption which sets out its approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board.

The Company recognizes the benefits of Board diversity and endeavours to ensure that the Board has the appropriate balance and level of skills, experience and perspectives required to support the execution of its business strategies. The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Company will also take into consideration factors based on its own business model and specific needs from time to time in determining the optimum composition of the Board.

The Board has set measurable objectives (in terms of gender, skills and experience) to implement the Board Diversity Policy and review such objects from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time.

The Nomination Committee considers that the current composition of the Board is characterised by diversity after taking into account its own business model and specific needs, whether considered in terms of professional background and skills.

Remuneration Committee

The Remuneration Committee is chaired by Mr. XU Yan, an Independent Non-Executive Director. It now consists of 5 members, including Mr. XU Yan, and the other members are Mr. YUAN Bing, Mr. LI Jian, Ms. HSU Wai Man Helen and Mr. LI Yang, the majority of whom are Independent Non-Executive Directors.

The Remuneration Committee is governed by its terms of reference, which became effective upon Resumption on 25 June 2015. The terms of reference are made available on the Group's website at http://www.tcldisplay.com and Hong Kong Stock Exchange's website at http://www.hkex.com.hk.

The Remuneration Committee was established on 25 June 2015 pursuant to Rule 3.25 of the Listing Rules. It meets from time to time to make recommendations to the Board on the Group's policy and structure for all remuneration of directors and senior management, and on the establishment of a formal and transparent procedure for developing policy on such remuneration. The Remuneration Committee also reviews and approves the performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time, and determines, with delegated responsibility, the remuneration packages of individual executive directors and senior management.

CORPORATE GOVERNANCE REPORT

Since Resumption up to 31 December 2015, the Remuneration Committee accomplished the following:

- review of the emolument policy and the levels of remuneration paid to the directors and senior management of the Group;
- determination of the remuneration packages of the individual directors, chief financial officer and certain senior management;
- discussion of the salary adjustments of certain senior management of the Group; and
- discussion and approval of the remuneration principle of the Group.

The human resources department provides administrative support and implements the approved remuneration packages and other human resources related decisions approved by the Remuneration Committee.

Emolument Policy and Long-Term Incentive Plan

The Group provides a competitive remuneration package to its directors to attract and retain talents. A large portion of the package for executive directors is linked to their performance, which in turn is aligned with the interests of the shareholders, so as to provide an incentive for the executive directors to achieve the best performance. Part of the remuneration of executive directors may comprise of long-term incentive plan which comprises the share option scheme and the share award scheme. The emoluments payable to the directors are determined with reference to their duties and responsibilities with the Company and the market rate for the positions.

The purpose of the long-term incentive plan of the Group is to reward outstanding performance that is measured by achieved targets, and is closely linked with the performance of the Group. The benefit or award granted under the plan will only be vested over a period of time so as to provide an incentive for the executives or employees to consistently perform at a high standard and bring along long-term benefits to the Group.

The non-executive directors' compensation relates to their time commitment and responsibilities. They receive fees which comprise the following components:

- directors' fee; and
- share options which are awarded subject to the discretion of the Board.

The fees and any other reimbursement or emolument payable to the directors and senior management are set out in note 9 to the financial statements.

Audit Committee

The Audit Committee is accountable to the Board and assists the Board in meeting its responsibilities in ensuring an effective and adequate system is in place for internal controls and for meeting its external financial reporting obligations and compliance with other legal and regulatory requirements. The Audit Committee also reviews and monitors the scope and effectiveness of the work of external auditors.

The Audit Committee currently comprises 3 members, namely Ms. HSU Wai Man Helen, Mr. XU Yan and Mr. LI Yang. Ms. HSU Wai Man Helen is the chairlady of the Audit Committee.

The Audit Committee usually meets at least 4 times a year to review the Company's quarterly, interim and annual results and the integrity of the Group's financial statements. In addition, to review and monitor the effectiveness of the audit process in accordance with applicable standards, the Audit Committee will meet with the external auditors before the annual audit commences to discuss the nature and scope audit and reporting obligations of the Company.

CORPORATE GOVERNANCE REPORT

The Audit Committee is governed by its terms of reference The terms of reference are made available on the Group's website at http://www.tcldisplay.com and Hong Kong Stock Exchange's website at http://www.hkex.com.hk.

The work performed by the Audit Committee since Resumption up to 31 December 2015 included consideration of the following matters:

- the completeness and accuracy of the 2015 interim financial statements;
- the Group's compliance with statutory and regulatory requirements;
- developments in accounting standards and the effect on the Group;
- review of the effectiveness of the system of internal control of the Group;
- the internal control reports submitted by the internal control committee of the Company;
- the audit fees payable to external auditors, the scope and timetable of the audit for year 2015;
- adopted the procedure to ensure compliance with the deed of non-competitions in favour of the Group

The Audit Committee has been advised that it may seek independent professional advice at the expense of the Company wherever necessary. The Audit Committee is also supported by the members of internal audit team.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board aims to present a balanced, clear and understandable assessment in annual and interim reports, inside information announcements and other financial disclosures required under the Listing Rules and other regulatory requirements.

The directors have acknowledged their responsibility for the preparation of the accounts for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period.

The statement by the auditor of the Company regarding its reporting responsibilities on the financial statements of the Group is set out in the "Independent Auditor's Report" on pages 45 to 46.

The directors, having made appropriate reasonable enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and hence decide that it is appropriate to prepare the financial statements set out on pages 47 to 97 on a going concern basis. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The basis on which the Company generates or preserves value over the longer term and the strategy for delivering its objectives are explained in the "Management Discussion and Analysis" set out in pages 6 to 12 in this annual report.

The management provides the Board with sufficient explanation and information, such as the Group's major business activities and key financial information, to enable the Board to make an informed assessment of the financial information and position of the Company put before the Board for approval.

The management also provides all directors with monthly updates giving them a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each director to discharge their duties under Rule 3.08 and Chapter 13 of Listing Rules.

Internal Controls

The Board is responsible for ensuring that an effective internal control system is maintained within the Group. The directors acknowledge their responsibility to establish, maintain and review from time to time the effectiveness of the Group's system of internal controls. During the period from Resumption to 31 December 2015, the directors, through the Audit Committee, have reviewed the effectiveness of all material aspects of the internal control system of the Group, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

The Group has adopted a set of internal control policies and procedures to safeguard the Group's assets, to ensure proper maintenance of accounting records and reliability of financial reporting, and to ensure compliance with relevant legislation and regulations.

Certain executive directors and senior management have been delegated with respective level of authorities and have specific responsibility for monitoring the performance of business operating units. Annual budgets of the Group and quarterly financial reports have been provided to the Board.

Each year, the Audit Committee of the Company reviews the findings made by the external auditors in respect of issues encountered by them in preparation of the audit report, which often cover issues relating to internal control. The Audit Committee also reviews the internal control report submitted by the Company's internal audit team. The Audit Committee will then review the actions performed or the plans to be carried out by the management in addressing the issues. The issues identified and the corresponding remedial plans and recommendations are then submitted to the Board for consideration.

The Company's internal audit team independently reviewed the effectiveness of the internal controls, including financial, operational and compliance, in the key activities of the Company's business. The head of the Company's internal audit team reports to the Audit Committee, and submits regular reports for its review in accordance with the approved review and audit mechanisms. The department submits a detailed report at least once a year to the Board for its review and monitors the effectiveness of the system of internal control of the Group.

Connected Transactions:

The Company is committed to ensuring compliance with regulatory requirements under the Listing Rules, applicable laws and regulations in handling connected transactions. Accordingly, the Company implemented various internal control mechanisms to capture and monitor connected transactions to ensure that connected transactions are conducted under normal commercial terms or on terms that are fair and reasonable and properly disclosed and (if necessary) approved by the independent shareholders in accordance with Listing Rules. The connected persons will be required to abstain from voting in the general meetings. Details of the connected transactions of the Company during the year are set out in the Directors' Report.

Auditors' Remuneration

For the Review Period, the remuneration paid for services provided by the auditor is roughly as follows:

Statutory audit services	RMB1,122,000
Other audit services	–
Non-audit services	RMB237,000

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

The position of company secretary is held by Ms. CHOY Fung Yee, a practising solicitor of Hong Kong, who is not an employee of the Company. The Company has assigned the Vice Director of Corporate Finance and Investor Relation of the Company, Mr. Hui Yuk Fung as the contact person with the company secretary. The company secretary is responsible to the Board and reports to the Board Chairman from time to time. All directors have access to the advice and services of the company secretary to ensure that board procedures, and all applicable laws, rules and regulations are followed.

Since Ms. CHOY was appointed upon Resumption, she has to take no less than 15 hours of relevant professional training during the year 2015. She has fulfiled the requirement during the year under review.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Group strives to uphold a high level of corporate transparency and provides full support to the investor relations team by involving senior management in close contact and interactive dialogue with research analysts and institutional investors through different channels including meetings, teleconferences and luncheons. The Company also keeps investors abreast of its latest corporate information through releasing monthly shipment data of its core products.

Key Investor Events in 2015

Date	Events
9 September 2015	Participated in investor conferences in Shenzhen (organised by Morgan Stanley)
29 October 2015	Participated in investor conferences in Hong Kong (organised by Shenyin Wanguo Capital)

The general meetings of the Company provide the best opportunity for communication between the Board and the shareholders.

The Chairman of the Board and chairman of the Remuneration Committee, Nomination Committee and the Audit Committee or, in their absence, other members of the respective committees and, where applicable, the independent Board committee, are available to answer questions at the shareholders' meetings.

All published information, including all the statutory announcements, press releases and event calendars, is promptly posted on the Group's website at http://www.tcldisplay.com. For inquiries and suggestions, please send an email to ir.tcldisplay@tcl.com or tcl.display@cornerstonescom.com, or directly by raising questions at the general meeting of the Company.

Shareholders' Rights to Convene a special general meeting

Under bye-law 58 of the Bye-Law, shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Communication with Shareholders and Procedures for Putting Forward Proposals at General Meetings

A shareholders communication policy was formulated and adopted upon Resumption on 25 June 2015 in order to ensure the shareholders are provided with ready, equal and timely access to balanced and understandable information about the Company. The Board has taken appropriate steps to provide effective communication with shareholders.

CORPORATE GOVERNANCE REPORT

All published information, including all the statutory announcements, press releases and event calendars, is promptly posted on the Group's website at http://www.tcldisplay.com. Shareholders can also send enquiries and proposals putting forward for shareholders' consideration at shareholder meetings to the Board or senior management.

Investors can submit enquiries to management by sending emails to ir.tcldisplay@tcl.com or tcl.display@cornerstonescom.com or directly by raising questions at the general meetings of the Company. The Company's dedicated investor relations team takes a proactive approach to communicate with existing and potential investors in a timely manner by making regular face-to-face meetings and conference calls with investors.

Constitutional Documents

Since Resumption, no amendment had been made to the Bye-Laws.

Conclusion

Going forward, the Company will continue to work diligently to maintain the highest level of corporate transparency possible. The timely disclosure of relevant corporate information includes annual and interim reports, statutory announcements, corporate presentation and press releases are available on the Group's website at http://www.tcldisplay.com. Enquiries and proposals to be put forward at shareholder meetings can also be sent to the board or senior management by contacting the Investor Relations Department via e-mail to ir.tcldisplay.com or tcl.display@cornerstonescom.com, or directly through the questions and answers session at shareholder meetings or press conference.

HUMAN RESOURCES AND SOCIAL RESPONSIBILITIES

HUMAN RESOURCES

In the year 2015, the Group implemented a series of human resources management initiatives for "Progressive Revolution and Solid Foundation", which served as a direct and effective support for boosting the Group's strategy, enhancing its organisational performance and facilitating the growth of its employees.

Basic Information on Human Resources

As at 31 December 2015, there were a total of 3,347 employees, the distribution of them is set out as follows:

China	3,345
Hong Kong	2

Key Efforts on Human Resources

To complement the corporate development strategy, the Group has adopted a series of human resources initiatives to enhance assessment and encouragement, talent introduction, staff training and development, strategic communication as well as to improve its employee morale:

– Based on the requirements of 3033 strategy, the Group has proposed the remuneration concept of "High performance, High return; Professionalisation, Sustainability" and established a strategy of achieving strategic objectives and an aligned model of assessment and incentives, which further emphasise the performance orientation, advocates the share of corporate profit at all staff levels and makes the corporate performance being the common concern of all members.

– With industrial development and shift of competition landscape, the Group has been dedicated to talent introduction. In 2015, the Group pursued the "Eagle Echelon Talent Cultivation Scheme" of last year by holding recruitment activities in tertiary institutions, in order to nurture management talents at junior levels. On the other hand, the Company has highlighted the development of competence of engineers and technicians. In this respect, the Group has organised a 6 sigma Yellow Belt training programme and conducted a series of training projects including courses that covered quality improvement and enhancement of management system. Practice exercises were provided to trainees to gain hands-on experiences. The initiative keeps staff growing together with the Company in tandem with supporting rapid business development.

Focus on Education

The Group adheres to its philosophy of "shouldering social responsibility and becoming an outstanding corporate citizen" and has always committed to education services.

"Hua Min Fund", established by Mr. Li Dongsheng, the chairman of the TCL Group, together with his spouse in 2007, is a dedicated fund under the China Youth Development Foundation for the purpose mainly for supporting the development of basic education in underprivileged areas. During 2015, a volunteers group formed by the staff of TCL Display took active participation in the "Hua Min Fund New Student Visit Program" (華萌基金新生走訪), to visit the underprivileged students, to look into their family backgrounds and to give them positive energy by sharing their experiences of personal growth.

School-Enterprise Cooperation

In recent years, the Group has activated a series of "Eagle System" and "P System" training programmes which ensured the Group to source a group of high calibre talents from campus. In 2015, the Group successfully nurtured 36 "eyas", who has been provided opportunities to attend a variety of seminars, understand the full picture of the Group's development, gain in-depth knowledge of the Company's culture, learn to preset plan for personal career development in a scientific manner, build up a strong mind to cope with future challenges, learn workplace etiquettes and professional skills, so as to improve mental preparation for being an employee from student, to gain experiences and become mature from working, and to enable the Group to have strategic human resources in the future.

In order to ensure the needs for technical manpower are met in the course of development, the Company has progressively accelerated the cooperation between tertiary institutions. From July to September 2015, the Company successfully entered into collaboration with Beijing Normal University, Zhuhai, pursuant to which, selected elite students were granted internship with the Group. After the internship, alumni with outstanding performances will be invited to join the Group as a staff members.

HUMAN RESOURCES AND SOCIAL RESPONSIBILITIES

Charity services and environmental protection

– Adhering to the highly responsible attitude toward employees, customers and the environment, in the entire production process from raw material souring to marketing, toxic and hazardous substances are strictly regulated and controlled. Toxic and hazardous substances are prohibited to enter all aspects of production, packaging, distribution and marketing, etc. Any harmful incidents including physical and health injuries to employees, risks to consumers' safety, destruction to the natural environment must be avoided. In addition, in order to raise the awareness of employees on toxic and hazardous substances, the Group organises corresponding training programmes for employees every year. From July to September 2015, the Company held various lectures on the criteria and management of ROHS hazardous substances inspection, with hundreds of staff attended.

– In November 2015, to express care and love to the disadvantaged in the community, to arouse public concern over rural areas and to promote green awareness, TCL Display called on all staff members to take part in the "Warmest Winter Campaign" (暖冬行動) as external volunteers for Zhong Kai High Tech Park, Huizhou. In addition to donating money and clothes to underprivileged areas, in the campaign, volunteers collected used clothes and redistributed them to the needy in an effort of put environmental protection into practice.

REPORT OF THE DIRECTORS

The directors are pleased to present their report and the audited financial statements of the Company and the Group for the eighteen months ended 31 December 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 1 to the financial statements. Upon the debt restructuring by way of the schemes of arrangement in Hong Kong and Bermuda becoming effective on 16 April 2015 and the completion of the acquisition of TCL Display Technology (Huizhou) Co., Ltd., the principal activities of the Group were changed to the manufacturing and sale of LCD modules for mobile phones and tablets. Save as aforesaid, there was no significant change in the nature of the Group's principal activities during the eighteen months ended 31 December 2015.

RESULTS AND DIVIDENDS

The Group's profit for the eighteen months ended 31 December 2015 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 47 to 97.

The Board do not recommend the payment of any dividend for the eighteen months ended 31 December 2015.

BUSINESS REVIEW

The business review of the Group for the eighteen months ended 31 December 2015 is set out on pages 7 to 11 of this annual report. Discussions on non-financial performance including human resources management initiatives and efforts on environmental protection are disclosed in the section headed "Human Resources and Social Responsibilities" of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

As at 31 December 2015 and up to the end of this report, the Board was unaware of any non-compliance with the relevant laws and regulations that have a significant impact on the Company.

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 98. This summary does not form part of the audited financial statements.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 10 May 2016 to Wednesday, 11 May 2016 (both dates inclusive), for the purposes of determining the entitlements of the shareholders of the Company to attend and vote at the AGM. No transfer of the shares may be registered during the said period. In order to qualify to attend and vote at the AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Monday, 9 May 2016.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the eighteen months ended 31 December 2015 are set out in note 14 to the financial statements.

SHARES ISSUED IN THE YEAR

Details of the Shares issued during the eighteen months ended 31 December 2015, together with the reasons therefore are set out in note 23 to the financial statements.

REPORT OF THE DIRECTORS

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws or the laws of Bermuda ("Bermuda Law") which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the eighteen months ended 31 December 2015.

RESERVES

Details of movements in the reserves of the Company and the Group during the eighteen months ended 31 December 2015 are set out in note 35 to the financial statements and the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2015, the Company did not have any reserves available for distribution.

CHARITABLE CONTRIBUTIONS

During the eighteen months ended 31 December 2015, the Group did not make any charitable contributions.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the eighteen months ended 31 December 2015 attributable to the Group's major suppliers and customers are as follows:

Purchases

– the largest supplier	10%
– the five largest suppliers combined	33%

Sales

– the largest customer	49%
– the five largest customers combined	83%

None of the directors of the Company, their associates or shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers.

REPORT OF THE DIRECTORS

DIRECTORS

The directors of the Company during the eighteen months ended 31 December 2015 and up to the date of this report were:

Non-Executive Director

Mr. YUAN Bing (Chairman) *(appointed on 11 August 2015)*

Executive Directors

Mr. LI Yuguo (Chairman) *(appointed on 25 June 2015 and ceased to be Chairman on 11 August 2015 and resigned on 10 March 2016)*
Mr. LI Jian (Chief executive officer) *(appointed on 25 June 2015)*
Ms. JING Chunmei *(appointed on 25 June 2015 and resigned on 11 August 2015)*
Mr. OUYANG Hongping *(appointed on 25 June 2015)*
Ms. YANG Yunfang *(appointed on 25 June 2015)*
Mr. ZHAO Yong *(appointed on 10 March 2016)*
Ms. SUN Min *(resigned on 25 June 2015)*
Mr. YU Genming *(resigned on 12 May 2015)*
Mr. HAN Su *(resigned on 25 June 2015)*
Mr. CHANG I-Sun *(resigned on 11 May 2015)*
Mr. LU Gui-Fang *(resigned on 12 May 2015)*

Independent Non-Executive Directors

Ms. HSU Wai Man Helen *(appointed on 25 June 2015)*
Mr. XU Yan *(appointed on 25 June 2015)*
Mr. LI Yang *(appointed on 25 June 2015)*

Mr. CHANG I-Sun resigned as a director of the Company with effect from 11 May 2015, Mr. YU Genming and Mr. LU Gui-fang resigned as directors of the Company with effect from 12 May 2015, and Ms. Sun Min and Mr. Han Su resigned as directors of the Company with effect from 25 June 2015. The resignation of the aforesaid directors is part of the arrangements for resumption of trading in the shares of the Company, and each of them had confirmed that he/she has no disagreement with the Board and he/she has no matter in respect of his/her resignation that needs to be brought to the attention of the shareholders of the Company.

Ms. JING Chunmei resigned as a director of the Company with effect from 11 August 2015 due to her other personal commitments which require more of her dedication and time commitment. Ms. JING confirmed that she has no claim whatsoever against the Company for fees, compensation for loss of office, remuneration, severance payments, pension, expenses or otherwise and there is no disagreement with the Board and there is no matter relating to her resignation that need to be brought to the attention of the shareholders of the Company.

Mr. LI Yuguo resigned as a director of the Company with effect from 10 March 2016 due to his other personal commitments which require more of his dedication and time commitment. Mr. LI confirmed that he has no claim whatsoever against the Company for fees, compensation for loss of office, remuneration, severance payments, pension, expenses or otherwise and there is no disagreement with the Board and there is no matter relating to his resignation that need to be brought to the attention of the shareholders of the Company.

According to bye-law 83(2) of the bye-laws of the Company ("Bye-laws"), any person appointed as a director to fill a casual vacancy on the Board shall hold office until the first general meeting of members of the Company after his appointment and be subject to re-election at such meeting.

Given Mr. YUAN Bing was appointed on 11 August 2015 to fill the casual vacancy arising from the resignation of Ms. JING Chunmei and Mr. ZHAO Yong was appointed on 10 March 2016 to fill the casual vacancy arising from the resignation of Mr. Li Yuguo, each of Mr. YUAN Bing and Mr. ZHAO Yong shall hold office until the forthcoming AGM, being the first general meeting of members of the Company after their respective appointments, and be subject to re-election at the forthcoming AGM.

REPORT OF THE DIRECTORS

According to bye-law 84(1) of the Bye-laws, at each annual general meeting one-third of the directors for the time being, or if their number is not a multiple of three (3), then the number nearest to but not less than one-third, shall retire from office by rotation provided that every director shall be subject to retirement by rotation at least once every three years.

According to bye-law 84(2) of the Bye-laws, a retiring director shall be eligible for re-election and shall continue to act as a director throughout the meeting at which he retires. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of directors to retire by rotation) any director who wishes to retire and not to offer himself for re-election. Any further directors so to retire shall be those who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. Any director appointed pursuant to bye-law 83(2) of the Bye-laws shall not be taken into account in determining which particular directors or the number of directors who are to retire by rotation.

Accordingly, Ms. YANG Yunfang, Mr. LI Jian and Mr. OUYANG Hongping shall retire and, being eligible, offer themselves for re-election at the forthcoming AGM.

The proposed re-election of each of Mr. YUAN Bing, Mr. ZHAO Yong, Ms. YANG Yunfang, Mr. LI Jian and Mr. OUYANG Hongping will be considered by separate resolutions at the forthcoming AGM. An ordinary resolution will also be proposed at the forthcoming AGM for the purpose of authorizing the Board to fix their remuneration.

REMUNERATION OF DIRECTORS, SENIOR MANAGEMENT AND THE FIVE HIGHEST PAID INDIVIDUALS

The Company has received from each of its independent non-executive directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive directors to be independent.

Particulars of the remuneration of the directors and the five highest paid individuals (including senior management) during the financial year are set out in notes 9 and 10 to the financial statements, respectively.

EMOLUMENT POLICY AND LONG-TERM INCENTIVE SCHEMES

Please refer to the Corporate Governance Report contained on pages 17 to 31 of this annual report for the Group's emolument policy and long-term incentive schemes, as well as the basis for determining the remuneration payable to the directors.

PENSION SCHEMES

Particulars of the Group's pension schemes are set out in note 3.3 to the financial statements.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 13 to 16 of this annual report.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

None of the directors or their associates had a material interest, either directly or indirectly, in any transactions, arrangements and contract of significance to the business of the Group to which the Company, or any of its subsidiaries, holding companies or fellow subsidiaries was a party during the eighteen months ended 31 December 2015.

REPORT OF THE DIRECTORS

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

As at 31 December 2015, the interests and/or short position of the Directors and chief executives of the Company in shares in the Company ("Shares"), underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap 571, Laws of Hong Kong) ("SFO")) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or (iii) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules were as follows:

Interests in the Company – Long Positions

Name of Director	Number of ordinary Shares held		Number of underlying shares under equity derivatives	Total	Approximate % of issued share capital of the Company
	Corporate interests	Personal interests	Corporate interests		
LI Yuguo	53,142,180 (Notes 1 and 2)	–	–	53,142,180	3.08% (Note 3)

Notes:

1. By virtue of Mr. Li's interest in Taibang Investment Limited ("Taibang"), a company directly owned as to approximately 57.39% by Mr. Li, Mr. Li is deemed to be interested in Shares held by Taibang under the SFO.

2. As of 31 December 2015, Taibang was the legal and beneficial owner of 53,142,180 Shares.

3. Such percentage was calculated based on the total number of Shares in which Mr. Li was interested as disclosed on the website of the Stock Exchange against the issued share capital of the Company as at 31 December 2015, being 1,721,499,806 Shares.

Save as disclosed above, as at 31 December 2015, none of the directors nor the chief executives of the Company had registered an interest and/or short position 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) that which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were required to be recorded pursuant to Section 352 of the SFO; or (iii) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDER'S AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2015, the interests and short positions of the person (other than a director or chief executive of the Company) in the shares or underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long position in shares of the Company

Name of Shareholder	Nature of Interest	Number of Shares held	Approximate percentage of issued share capital of the Company (Note 3)
TCL Corporation	Interest of controlled corporation	758,168,772 (Note 1)	44.04%
Mr. LAU Tom Ko Yuen	Interest of controlled corporation	171,858,029 (Note 2)	9.98%

Notes:

1. For the purpose of the SFO, TCL Corporation is deemed to be interested in 758,168,772 Shares, of which (i) 11,156,272 Shares are directly held by T.C.L. Industries Holdings (H.K.) Limited, its wholly owned subsidiary and (ii) 747,012,500 Shares are indirectly held through TCL Intelligent Display Holdings Limited, a wholly owned subsidiary of T.C.L. Industries Holdings (H.K.) Limited which in turn is wholly owned by TCL Corporation.

2. For the purpose of the SFO, Mr. LAU Tom Ko Yuen is deemed to be interested in 171,858,029 Shares directly held by Rally Praise Limited, a wholly owned subsidiary of Empire City International Limited, which is in turn wholly owned by Mr. LAU Tom Ko Yuen.

3. Such percentage was calculated based on the total number of Shares in which each of the substantial shareholders was interested as disclosed on the website of the Stock Exchange against the issued share capital of the Company as at 31 December 2015, being 1,721,499,806 Shares.

Save as disclosed above, as at 31 December 2015, the directors were not aware of any other persons who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions in Division 2 and 3 of Part XV of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above, at no time during the eighteen months ended 31 December 2015 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or his/her spouse or children under 18 years of age, or were any such rights exercised by them; nor was the Company, or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME

By way of a resolution of the shareholders of the Company passed on the further special general meeting of the Company on 11 March 2015, the Company adopted a share option scheme ("Share Option Scheme") with effect from the Resumption, the purpose of which is to recognise and motivate the contribution of the eligible participants and to provide incentives and help the Group in retaining its existing employees and recruiting additional employees and to provide them with a direct economic interest in attaining the long term business objectives of the Group.

No share options had been granted under the Share Option Scheme since its adoption.

The major terms of the Share Option Scheme, in conjunction with the requirements of Chapter 17 of the Listing Rules, are as follows:

1. The participants of the Share Option Scheme are the employees of the Company or any of its subsidiaries (including any executive and non-executive director or proposed executive and non-executive director of the Company), adviser, consultant, agent, contractor, client or supplier of any member of the Group or any other person whom the Board in its sole discretion considers may contribute or have contributed to the Group.

2. The total number of shares of the Company which may be issued upon exercise of all share options to be granted under the Share Option Scheme and any other schemes of the Company must not in aggregate exceed 10% of the shares of the Company in issue on the date of approval of each of the Share Option Scheme. The 10% limit may be refreshed with the approval by ordinary resolution of the Shareholders. The maximum number of shares of the Company which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company must not exceed 30% of the shares of the Company in issue from time to time. As at 31 December 2015, the number of shares of the Company available for issue in respect thereof was 115,149,981 shares, representing approximately 6.69% of the then issued shares of the Company.

3. The total number of shares of the Company issued and to be issued upon exercise of share options (whether exercised or outstanding) granted under the Share Option Scheme in any 12-month period to each grantee must not exceed 1% of the shares of the Company in issue.

4. The exercise period of any share option granted under the Share Option Scheme shall be determined by the Board but such period must not exceed ten years from the date of grant of the relevant share option.

5. The Share Option Scheme do not specify any minimum holding period but the Board has the authority to determine the minimum period for which a share option in respect of some or all of the shares forming the subject of the share options must be held before it can be exercised.

6. The acceptance of an offer of the grant of the respective share options must be made within 5 business days from the date of offer with a non-refundable payment of HK$1.00 from each grantee.

7. The exercise price of a share option to subscribe for shares of the Company shall not be less than the following prices, whichever is higher:

   – the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and

   – the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.

The Share Option Scheme shall be valid and effective for a period of ten years commencing on 25 June 2015.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS

During the eighteen months ended 31 December 2015, the Group entered into a number of continuing connected transactions with TCL Corporation (being the ultimate controlling shareholder of the Company) and its subsidiaries (being an associate (as defined in the Listing Rules) of TCL Corporation) (collectively, the "TCL Group").

The Group carried out the following continuing connected transactions (other than continuing connected transactions that are fully exempted under Rule 14A.73 of the Listing Rules) during the eighteen months ended 31 December 2015:

(a) Pursuant to the Master Sale and Purchase Agreement dated 17 April 2015 entered into between the Company and TCL Corporation for a three-year term commencing from 17 April 2015, the Group (i) purchased materials which are produced or manufactured in the PRC for its products from TCL Group amounting to RMB1,339,000, and (ii) sold products to TCL Group amounting to RMB826,442,000, during the period from 17 April 2015 to 31 December 2015;

(b) Pursuant to the Master Sourcing and Import Handling Services Agreement dated 17 April 2015 entered into between the Company and TCL Corporation for a three-year term commencing from 17 April 2015, the Group (i) purchased imported materials from TCL Group and (ii) utilised the sourcing and import handling services provided by TCL Group.

    During the period from 17 April 2015 to 31 December 2015, the Group paid RMB71,235,000 for the imported materials and administrative fee amounting to RMB647,000 for the sourcing and import handling services.

(c) Pursuant to the Master Financial Services Agreement dated 17 April 2015 entered into among the Company, TCL Corporation and TCL Finance Company Limited ("Finance Company", a non-wholly owned subsidiary of TCL Corporation) for a three-year period commencing from 17 April 2015, the Company may from time to time utilise the financial services provided by the Finance Company including deposit services and other financial services.

    During the period from 17 April 2015 to 31 December 2015, the maximum total outstanding daily balance of deposits (including interest receivables in respect of these deposits) due from the Finance Company was RMB306,786,000 and a fee and commission of RMB615,000 in respect of other financial services has been paid by the Group.

(d) Pursuant to the Lease Agreement dated 1 January 2014 entered into between Huizhou TCL Mobile Communication Co. Ltd. ("TCL Mobile Communication", an indirect wholly-owned subsidiary of TCL Communication Technology Holdings Limited) and TCL Display for a term from 1 January 2014 to 31 December 2015, TCL Display rented the plant located at No. 23 Zhongkai Hi-tech Industrial Development Zone, Huizhou, Guangdong Province, the PRC from TCL Mobile Communication. The total rental borne by TCL Display under the Lease Agreement amounted to RMB6,458,000 during the period under review.

Further details of the aforesaid continuing connected transactions were set out in the circular of the Company dated 30 June 2014 and the supplemental circular of the Company dated 16 February 2015.

The related party transactions set out in note 28 to the financial statements include transactions that constitute connected/continuing connected transactions. The directors of the Company confirm that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules (If applicable).

The independent non-executive directors of the Company have confirmed that the above-mentioned continuing connected transactions were entered into: (i) in the ordinary and usual course of the Group's business; (ii) in accordance with the terms of the respective agreements governing such transactions on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole; and (iii) either on normal commercial terms or on terms no less favorable to the Group than those available to or from independent third parties.

REPORT OF THE DIRECTORS

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

MANAGEMENT CONTRACT

Save for employment contracts, no contracts concerning the management and administration of the whole or any principal business of the Company were entered into or subsisted during the eighteen months ended 31 December 2015.

PERMITTED INDEMNITY PROVISION

The Bye-laws provides that each director or other officer of the Company shall be entitled to be indemnified out of the assets and profits of the Company against all losses or liabilities which he or she may incur or sustain in or about the execution of the duties of his or her office or otherwise in relation thereto. In addition, the Company has maintained appropriate directors and officers liability insurance in respect of relevant legal actions against the Directors.

Such permitted indemnity provisions have been in force throughout the eighteen months ended 31 December 2015 and is currently in force at the time of approval of this report.

EQUITY-LINKED AGREEMENTS

Set out below are the equity-linked agreements entered into by the Company or subsisted during the eighteen months ended 31 December 2015, capitalised terms set out in this section shall have the same meanings as those adopted and/or defined in the circular of the Company dated 16 February 2015:

(1) Second Supplemental Acquisition Agreement

As part of the arrangements for resumption, on 18 November 2014 the Company, the Vendors and the Investor entered into the second supplemental acquisition agreement to amend and supplement the terms of the Acquisition Agreement dated 28 February 2014 (amended and supplemented by the Supplemental Acquisition Agreement dated 30 May 2014) in relation to the acquisition of the entire equity interest in TCL Display.

Completion of the Acquisition is subject to the following conditions:

(a) all warranties given by the vendors in the Acquisition Agreement remaining true and accurate in all material respects and not misleading;

(b) all warranties given by the Company in the Acquisition Agreement remaining true and accurate in all material respects and not misleading;

(c) the Company having obtained legal opinion from its PRC legal advisers in respect of the legality, continual existence, business, operation and assets of TCL Display, the TCL Reorganisation and such other matters the Sponsor, the Stock Exchange and/or the SFC may require, in form and substance satisfactory to the Sponsor, the Stock Exchange and the SFC;

(d) the Shareholders (other than those who are required by the Listing Rules, the Takeovers Code, the Share Buy-backs Code or applicable laws and regulations not to vote or to abstain from voting) having approved the capital restructuring, the Acquisition Agreement, the subscription agreement, the Schemes, the Open Offer and other matters, if any and if required, under the Revised Resumption Proposal and the respective transactions contemplated thereunder (including the Continuing Connected Transactions, the issue of the Consideration Shares and the Convertible Bonds, the Bond B, the Sale Shares Mortgage and the Unwinding) at the SGM in compliance with all applicable laws and regulations (including the Listing Rules, the Takeovers Code, the Share Buy-backs Code and including special deal);

REPORT OF THE DIRECTORS

(e) all requisite approvals and consents from (including registrations and filings by) regulatory bodies required to be obtained by the Vendors and/or their respective associates in respect of the Acquisition Agreement and the transactions contemplated thereunder (including the acquisition and holding of the Convertible Bonds and exercise of the conversion rights thereunder) and the TCL reorganisation having been obtained;

(f) there having been no material adverse change in the operation, business, assets, finances or prospects of TCL Display since 30 September 2013 up to Completion;

(g) result of the due diligence review on the Target Group by the Company and the Sponsor being satisfactory to the Company, the Company's advisers and the Sponsor (the Sponsor having absolute discretion in this respect);

(h) the Capital Restructuring (save for the Share Premium Reduction in respect of the Consideration Shares, the effective date of which will take place upon its issuance on or after Completion) becoming effective;

(i) the Schemes having been approved by the Hong Kong Court and the Bermuda Court, and the relevant Court Orders having been delivered to the Companies Registry in Hong Kong and the Registrar of Companies in Bermuda for registration;

(j) all conditions precedent to the Subscription Agreement having been satisfied or otherwise waived in accordance with the terms thereof (save for the conditions requiring Completion and Resumption to have occurred);

(k) the Stock Exchange granting approval for the resumption of trading of the New Shares conditional only on completion of the Offer, the Open Offer and the Placing;

(l) all conditions precedent to the Open Offer having been fulfilled (save for the condition requiring Completion having taken place) or otherwise waived, and the obligations of the Open Offer Underwriter not having been terminated pursuant to the terms thereof;

(m) the Listing Committee having granted its consent to the listing of and permission to deal in the Consideration Shares and the Conversion Shares;

(n) the vendors and the Investor being satisfied that unconditional approval having been or will be granted by the Stock Exchange for the resumption in trading of the New Shares on the Stock Exchange or if such approval is conditional, such condition(s) being acceptable to the vendors and the Investor at their sole discretion jointly agree;

(o) completion of the TCL reorganisation and the Target Companies having acquired all effective interest in TCL Display;

(p) the consent of the Executive in relation to the settlement of the Admitted Claims by the Company to the Creditors who are also Shareholders under the Schemes as special deal having been obtained, and any condition for the giving of such consent having been fulfilled;

(q) in addition to the above Conditions, all other approvals, consents and/or waivers required to be obtained and all matters required to be fulfilled by the Company under or by the Listing Rules, the Stock Exchange, the SFO and/or other regulatory bodies in respect of the Acquisition Agreement and transactions contemplated thereunder having been obtained and for matters required to be performed on or before Completion, the same having been completed; and

(r) the Company having obtained and provided to the Vendors a legal opinion issued by qualified Bermuda lawyers confirming that the Sale Shares Mortgage, when executed, will be legal, valid and enforceable, which content and form shall be in the satisfaction of the Vendors.

Completion took place on 17 April 2015. Details of the Acquisition Agreement are set out in note 2 to the financial statements.

REPORT OF THE DIRECTORS

(2) Open offer

As part of the arrangements for resumption, on 10 June 2015 the Company issued 101,441,768 ordinary shares pursuant to an open offer to raise approximately RMB27,999,000 on the basis of 2 Open Offer Shares for every 1 existing share held by the then Qualifying Shareholders on the record date (i.e. 19 May 2015) at the offer price of HK$0.35 for each Open Offer Share. Details of the open offer are set out in note 2 to the financial statements.

Save for the aforesaid equity-linked agreements and the Share Option Scheme, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the eighteen months ended 31 December 2015 or subsisted at the end of the said period.

CORPORATE GOVERNANCE

Details of the Group's corporate governance practices can be found in the Corporate Governance Report contained on pages 17 to 31 in this annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted a code of conduct regarding directors' securities transactions on the same terms as set out in the Model Code. Having made specific enquiry with all directors, the directors confirmed that they have complied with the standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions during the eighteen months ended 31 December 2015.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors of the Company, at least 25% of the Company's total issued share capital was held by the public during the period from the Resumption to 31 December 2015 and up to the date of this annual report.

AUDIT COMMITTEE

The Company has an audit committee for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises three members, namely, Ms. HSU Wai Man, Helen (as the chairlady), Mr. XU Yan and Mr. LI Yang, all of whom are independent non-executive directors of the Company. The Group's results for the eighteen months ended 31 December 2015 have been reviewed by the audit committee, which is of the opinion that the preparation of such financial information complies with the applicable accounting standards, the requirements under the Listing Rules and any other applicable legal requirements, and that adequate disclosures have been made.

AUDITORS

The consolidated financial statements of the Group for the eighteen months ended 31 December 2015 have been audited by Messrs. Ernst & Young. Messrs. Ernst & Young will retire and, being eligible, will offer themselves for reappointment as auditors of the Company at the forthcoming AGM.

ON BEHALF OF THE BOARD

YUAN Bing
Chairman

Hong Kong
10 March 2016

INDEPENDENT AUDITORS' REPORT

EY 安永

To the shareholders of TCL Display Technology Holdings Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of TCL Display Technology Holdings Limited (the "Company") and its subsidiaries set out on pages 47 to 97, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period from 1 July 2014 to 31 December 2015, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the period from 1 July 2014 to 31 December 2015 in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong
10 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Period from 1 July 2014 to 31 December 2015

	Notes	**Period ended 31 December 2015 RMB'000**	Year ended 30 June 2014 RMB'000 (Restated)
REVENUE	6	**3,688,161**	2,497,713
Cost of sales		**(3,398,545)**	(2,263,315)
Gross profit		**289,616**	234,398
Other income and gains	6	**59,351**	7,074
Selling and distribution expenses		**(53,724)**	(52,104)
Administrative expenses		**(83,770)**	(49,812)
Listing expense	25	**(142,151)**	–
Other expenses		**(662)**	(2,627)
Finance costs	8	**(9,939)**	(14,013)
PROFIT BEFORE TAX	7	**58,721**	122,916
Income tax expense	11	**(32,312)**	(33,199)
PROFIT FOR THE PERIOD/YEAR		**26,409**	89,717
Attributable to:			
Owners of the parent		**26,409**	89,717
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic		**RMB3.37 cents**	RMB15.28 cents
Diluted		**RMB2.70 cents**	RMB15.28 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Period from 1 July 2014 to 31 December 2015

	Period ended 31 December 2015 RMB'000	Year ended 30 June 2014 RMB'000 (Restated)
PROFIT FOR THE PERIOD/YEAR	**26,409**	89,717
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(4,633)**	–
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	**(4,633)**	–
OTHER COMPREHENSIVE LOSS FOR THE PERIOD/YEAR, NET OF TAX	**(4,633)**	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR	**21,776**	89,717
Attributable to:		
Owners of the parent	**21,776**	89,717

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	Notes	**31 December 2015 RMB'000**	30 June 2014 RMB'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	14	**164,171**	102,294
Intangible assets		**78**	131
Deposits paid for purchase of items of property, plant and equipment	17	**10,345**	35,545
Deferred tax assets	22	**18,477**	6,535
Total non-current assets		**193,071**	144,505
CURRENT ASSETS			
Inventories	15	**158,213**	196,506
Trade and bills receivables	16	**597,538**	564,047
Prepayments, deposits and other receivables	17	**98,663**	85,191
Cash and cash equivalents	18	**286,605**	130,445
Total current assets		**1,141,019**	976,189
CURRENT LIABILITIES			
Trade and bills payables	19	**810,176**	772,601
Other payables and accruals	20	**173,944**	131,135
Interest-bearing bank borrowings	21	**137,185**	56,630
Tax payable		**35,795**	21,360
Total current liabilities		**1,157,100**	981,726
NET CURRENT LIABILITIES		**(16,081)**	(5,537)
TOTAL ASSETS LESS CURRENT LIABILITIES		**176,990**	138,968
NON-CURRENT LIABILITIES			
Deferred income		**13,405**	7,776
Bonds payable	2	**58,646**	–
Total non-current liabilities		**72,051**	7,776
Net assets		**104,939**	131,192

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	Notes	**31 December 2015 RMB'000**	30 June 2014 RMB'000 (Restated)
Net assets		**104,939**	131,192
EQUITY			
Equity attributable to owners of the parent			
Share capital	23	**138,561**	60,880
Reserves	24	**(33,622)**	70,312
Total equity		**104,939**	131,192

Li Jian
Director

Yang Yunfang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period from 1 July 2014 to 31 December 2015

	Share capital RMB'000 (note 23)	Convertible bond reserve RMB'000 (note 2)	Share premium account RMB'000	Capital reserve RMB'000 (note 24)	Statutory surplus reserve RMB'000 (note 24)	Exchange fluctuation reserve RMB'000	Retained profits/ (accumulated losses) RMB'000	Total equity RMB'000
At 1 July 2013 (restated)	60,880	–	–	39,149	8,329	–	(4,644)	103,714
Profit and total comprehensive income for the year	–	–	–	–	–	–	89,717	89,717
Transfer from retained profits	–	–	–	–	9,074	–	(9,074)	–
Dividends recognised as distribution (note 12)	–	–	–	–	–	–	(62,239)	(62,239)
At 30 June 2014 (restated)	60,880	–	–*	39,149*	17,403*	–*	13,760*	131,192
At 1 July 2014 (restated)	**60,880**	**–**	**–**	**39,149**	**17,403**	**–**	**13,760**	**131,192**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**26,409**	**26,409**
Other comprehensive loss for the period:								
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**(4,633)**	**–**	**(4,633)**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**(4,633)**	**26,409**	**21,776**
Acquisition of a subsidiary (note 2)	**29,927**	**157,326**	**–**	**(117,119)**	**–**	**–**	**–**	**70,134**
Conversion of the convertible bonds (note 23)	**47,754**	**(157,326)**	**109,572**	**–**	**–**	**–**	**–**	**–**
Transfer from retained profits	**–**	**–**	**–**	**–**	**17,079**	**–**	**(17,079)**	**–**
Dividends recognised as distribution (note 12)	**–**	**–**	**–**	**–**	**–**	**–**	**(118,163)**	**(118,163)**
At 31 December 2015	**138,561**	**–**	**109,572***	**(77,970)***	**34,482***	**(4,633)***	**(95,073)***	**104,939**

* These reserve accounts comprise the negative reserves of RMB33,622,000 (30 June 2014: positive reserves of RMB70,312,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Period from 1 July 2014 to 31 December 2015

	Notes	Period ended 31 December 2015 RMB'000	Year ended 30 June 2014 RMB'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**58,721**	122,916
Adjustments for:			
Finance costs	8	**9,939**	14,013
Bank interest income	6	**(2,555)**	(2,025)
Loss on disposal of items of property, plant and equipment	7	**785**	2,485
Depreciation	7	**58,011**	30,411
Amortisation of intangible assets	7	**81**	62
Impairment reversal of trade receivables	7	**–**	(574)
Write-down of inventories to net realisable value	7	**11,445**	384
Listing expense	7	**142,151**	–
		278,578	167,672
Decrease/(increase) in inventories		**26,848**	(79,217)
Increase in trade and bills receivables		**(33,491)**	(142,028)
Increase in prepayments, deposits and other receivables		**(13,472)**	(74,373)
Increase in trade and bills payables		**37,575**	413,102
(Decrease)/increase in other payables and accruals		**(5,066)**	85,521
Increase in deferred income		**5,629**	2,438
Cash generated from operations		**296,601**	373,115
Mainland China taxes paid		**(29,820)**	(16,858)
Net cash flows from operating activities		**266,781**	356,257
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**2,555**	2,025
Purchases of items of property, plant and equipment		**(95,473)**	(109,983)
Purchases of items of intangible assets		**(27)**	–
Proceeds from acquisition of a subsidiary	25	**27,999**	–
Net cash flows used in investing activities		**(64,946)**	(107,958)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**942,132**	364,140
Repayment of bank loans		**(861,577)**	(369,367)
Interest paid		**(8,067)**	(14,013)
Dividends paid		**(118,163)**	(106,355)
Net cash flows used in financing activities		**(45,675)**	(125,595)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**156,160**	122,704
Cash and cash equivalents at beginning of period/year		**130,445**	7,741
CASH AND CASH EQUIVALENTS AT END OF PERIOD/YEAR	18	**286,605**	130,445

NOTES TO FINANCIAL STATEMENTS

31 December 2015

1. CORPORATE AND GROUP INFORMATION

TCL Display Technology Holdings Limited (formerly known as Proview International Holdings Limited) (the "Company") was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business is located at 13/F, TCL Tower, 8 Tai Chung Road, Tsuen Wan, Hong Kong.

During the eighteen months ended 31 December 2015, the Company and its subsidiaries (collectively referred to as the "Group") were principally involved in the manufacture and sale of LCD modules for mobile phones and smart pads.

In the opinion of the directors, the immediate holding company and the ultimate holding company of the Company are T.C.L. Industries Holdings (H.K.) Limited ("TCL Industries"), a company incorporated in Hong Kong, and TCL Corporation, a limited liability company registered in the People's Republic of China (the "PRC") and listed on the Shenzhen Stock Exchange, respectively.

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place of incorporation /registration and business	Issued ordinary /registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
TCL Display Technology (Huizhou) Co., Ltd ("TCL Display")*	Mainland China	RMB100,000,000	–	100	Manufacture and sale of LCD modules for mobile phones and smart pads
Taijia Investment Limited	Hong Kong	HK$10,000	–	100	Investment holding
TCL Display Technology (Hong Kong) Limited	Hong Kong	HK$1	–	100	Investment holding
TCL Intelligent Display Electronics Limited	Bermuda	HK$1	100	–	Investment holding
TCL Display Technology (BVI) Limited	British Virgin Islands	US$1	–	100	Investment holding
Taixing Investment Limited	Bermuda	HK$10,000	100	–	Investment holding

* TCL Display is registered as a wholly-foreign-owned enterprise under PRC law.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

On 25 June 2015, capital restructuring, debt restructuring, an open offer and the Reverse Takeover Transaction (as defined hereinunder) involving a new listing application were completed. The Group acquired the entire equity interest of TCL Display, which constituted a reverse takeover transaction (the "Reverse Takeover Transaction"). TCL Display is principally involved in the manufacture and sale of LCD modules for mobile phones and smart pads. The details of the Reverse Takeover Transaction are set out in the Company's circulars dated 30 June 2014 and 16 February 2015 and in the Company's announcement dated 17 April 2015.

Capital restructuring

During the current period, the Company completed the capital restructuring, which involved the following:

Capital reduction

On 13 March 2015, the nominal value of each of the 772,008,992 shares in issue was reduced from HK$0.10 to HK$0.01 by cancelling HK$0.09 from the share capital of each issued share, resulting in a capital reduction of RMB54,793,000 (the "Capital Reduction"). The Capital Reduction became effective on 13 March 2015.

Share consolidation

Upon the Capital Reduction becoming effective, every ten reorganised shares of HK$0.01 each were consolidated into one new share of HK$0.10 each and the number of issued shares of the Company was reduced from 772,008,992 reorganised shares of HK$0.01 each to 77,200,899 new shares of HK$0.10 each (the "Share Consolidation"). Upon completion of the Share Consolidation, the number of the issued shares of the Company decreased by 694,808,093.

Share premium reduction

The share premium account and contributed surplus account of approximately RMB249,743,000 and RMB128,048,000 respectively as at 30 June 2014, together with the share premium account of RMB191,799,000 and RMB19,999,000 arising from the issuance of the Consideration Shares (as defined hereinunder) and the Open Offer Shares (as defined hereinunder), respectively, were applied to eliminate the accumulated losses of the Company.

Debt restructuring

During the current period, the Company completed the debt restructuring and settled the amounts due to certain creditors of the Company (the "Scheme Creditors") by the way of the schemes of arrangement made between the Company and the Scheme Creditors under Sections 670 and 673 of the Companies Ordinance (Cap. 622) of Hong Kong (the "Hong Kong Scheme") and Section 99 of the Companies Act 1981 of Bermuda (the "Bermuda Scheme", together with the Hong Kong Scheme, hereinafter collectively referred to as the "Schemes") respectively. On 16 April 2015, the Schemes became effective. Pursuant to the Schemes, all amounts due to the Scheme Creditors have been fully discharged through the cash proceeds from the issuance of bond at the principal amount of HK$60,000,000 ("Bond A") to TCL Industries which was transferred to a special purpose vehicle established and controlled by the Hong Kong Scheme Administrator (the "Debt Restructuring").

Bond A was issued in 2 tranches on 17 April 2015 and 25 June 2015 at the respective principal amounts of HK$10,000,000 and HK$50,000,000, with a tenure of 5 years. Interest is chargeable at 7.5% per annum and payable semi-annually in arrears. As at 31 December 2015, the fair value of Bond A approximated to its carrying amount of RMB50,268,000.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2. BASIS OF PREPARATION (continued)

Debt restructuring (continued)

The details of the Debt Restructuring are set out in the Company's circulars dated 30 June 2014 and 16 February 2015 and in the Company's announcement dated 17 April 2015.

Acquisition of the entire equity interest in TCL Display

According to the acquisition agreement dated 28 February 2014 entered into among the Company, the vendors and an independent third party (as amended on 30 May 2014 and 18 November 2014), the consideration of HK$550,000,000 for acquisition of the entire equity interest in the TCL Display was satisfied as follows:

(i) HK$340,500,000 by the issuance and allotment of 972,857,143 shares (the "Consideration Shares") by the Company at HK$0.35 per Consideration Share to the vendors and the investor on 17 April 2015. Upon completion of the issuance of the Consideration Shares, the number of the issued shares of the Company increased by 972,857,143, and the amount of the share capital and the share premium account of the Company increased by RMB76,720,000 and RMB191,799,000, respectively.

(ii) HK$199,500,000 by issuance of convertible bonds (the "CB") by the Company to the vendors, with no maturity date, zero coupon rate and an initial conversion price of HK$0.35 per conversion share (subject to adjustment).

The CB holders are entitled to convert the CB into a total of 570,000,000 new ordinary shares of the Company at the initial conversion price during the conversion period starting from 26 December 2015, i.e. the date immediately following 6 months after resumption of trading in the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") until the principal amount has been fully converted and/or redeemed by the Company.

The Company has no obligation to repay any outstanding principal amount of the CB but has the rights at its discretion to redeem any principal amount of the CB at its face value. The CB meets the definition of equity under HKAS 32 and hence, is accounted for as an equity instrument of the Company and the principal amount of HK$199,500,000 (equivalent to RMB157,326,000) was recognised as the convertible bond reserve of the Company.

(iii) HK$10,000,000 by issuance of bonds ("Bond B") on 17 April 2015 to TCL Industries at the principal amount of HK$10,000,000, with a tenure of 3 years at nil interest rate. As at 31 December 2015, the fair value of Bond B approximated to its carrying amount of RMB8,378,000. Bond B was accounted for as a distribution from the Group to a former shareholder of TCL Display. Bond A and Bond B comprise the bonds payable of RMB58,646,000 in the consolidated statement of financial position as at 31 December 2015.

The details of the acquisition of the entire equity interest in TCL Display are set out in the Company's circulars dated 30 June 2014 and 16 February 2015 and in the Company's announcement dated 17 April 2015.

Open Offer

For the period under review, the Company carried out an open offer (the "Open Offer") of 101,441,768 offer shares (the "Open Offer Shares") to raise approximately RMB27,999,000 on the basis of 2 Open Offer Shares for every 1 existing share held by the then qualifying shareholders on the record date (i.e. 19 May 2015) at the offer price of HK$0.35 for each Open Offer Share. Upon completion of the Open Offer, the number of the issued shares of the Company increased by 101,441,768 and the amount of the share capital and the share premium account of the Company increased by RMB8,000,000 and RMB19,999,000, respectively.

The details of the Open Offer are set out in the prospectus and announcement of the Company dated 20 May 2015 and 10 June 2015 respectively.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2. BASIS OF PREPARATION (continued)

Reverse Takeover Transaction

On 25 June 2015 (the "Combination Date"), the Reverse Takeover Transaction was completed. However, the Reverse Takeover Transaction does not fulfil the requirements for reverse acquisition in accordance with the HKFRS 3 as the Company was only a non-operating public shell corporation and does not meet the definition of a business under HKFRS 3. Instead, the Reverse Takeover Transaction should be accounted for in the Group's financial statements as a continuation of the financial statements of the legal acquiree – TCL Display, together with a deemed issue of equity, equivalent to the shares held by former shareholders of the Company, and a re-capitalisation of the equity of TCL Display.

This deemed issue of equity is, in effect, an equity-settled share-based payment transaction whereby TCL Display has received the net liabilities of the Company, together with its listing status. Under HKFRS 2, TCL Display should measure the equity-settled share-based payments indirectly by reference to the fair value of the equity instruments issued as there are no goods or services received by TCL Display from this transaction. The increase in equity by TCL Display should be measured by reference to the fair value of the equity that is deemed to have been issued, i.e. RMB78,020,000 (the "Deemed Consideration") in exchange for the net liabilities and listing status of the Company.

However, as the listing status does not qualify for recognition as an intangible asset, it is expensed in profit or loss.

These consolidated financial statements have been prepared as a continuation of the financial statements of TCL Display:

(i) The assets and liabilities of TCL Display are recognised and measured at their carrying amounts;

(ii) The identified assets and liabilities of the Company are recognised and measured initially at their fair value on the Combination Date;

(iii) The amount recognised as issued equity instruments in the consolidated financial statements is determined by adding the issued equity of TCL Display immediately before the Reverse Takeover Transaction and the fair value of the Deemed Consideration; and

(iv) The comparative information presented in these consolidated financial statements is restated to be that of TCL Display as adjusted to reflect the Company's legal capital.

Further details of the Reverse Takeover Transaction are set out in note 25 to the consolidated financial statement.

Going concern

As at 31 December 2015, the Group recorded net current liabilities of RMB16,081,000 (30 June 2014: RMB5,537,000). In view of this circumstance, the directors of the Company have given consideration to the future liquidity and future performance of the Group in assessing whether the Group will have sufficient cash flows to continue as a going concern. Based on management's estimation of the future cash flows of the Group, the directors of the Company believe that the Group has sufficient cash flows in the foreseeable future to enable it to continue its operations and meet its liabilities as and when they fall due. The directors of the Company therefore are of the opinion that it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

2. BASIS OF PREPARATION (continued)

Change of presentation currency

Upon completion of the Reverse Takeover Transaction, the Group changed the presentation currency of its consolidated financial statements from Hong Kong Dollar ("HK$") to RMB because, in the opinion of the directors of the Company, the operations of the Group are mainly carried through TCL Display. The turnover of the Group are entirely contributed by the business in Mainland China from the date of the completion of Reverse Takeover Transaction and changing the presentation currency to RMB could provide users of the financial statements with more comparable information with other companies in similar industries. Comparative figures have been represented in RMB.

The change in presentation currency of the Group and the Company has been applied retrospectively in accordance with HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, and the comparative figures as at 1 July 2013 and 30 June 2014 and for the year ended 30 June 2014 have also been restated to RMB accordingly.

The change in presentation currency has no significant impact on the financial positions of the Group and the Company as at 1 July 2013, 30 June 2014 and 31 December 2015, or the results and cash flows of the Group and Company for the period from 1 July 2014 to 31 December 2015 and the year ended 30 June 2014.

Change of financial year-end date

During the current financial period, the financial year-end date of the Company was changed from 30 June to 31 December to align with financial year-end date of 31 December of TCL Display. The change of financial year-end date of the Company from 30 June to 31 December will achieve consistency between the financial year-end date of the Company and the financial year-end date of TCL Display. This will facilitate the efficient preparation of the consolidated accounts of the Group, and enable the Company to better utilise its resources and facilitate better planning and operational processes of the Company. Accordingly, the consolidated financial statements for the current period cover an eighteen months' period from 1 July 2014 to 31 December 2015. The details of the change of financial year-end date are set out in the announcement of the Company dated 13 May 2015.

As a result of the change of financial year-end date, the consolidated financial statements presented for the current period cover a period of eighteen months from 1 July 2014 to 31 December 2015. The corresponding comparative amounts shown for the consolidated statement of profit or loss, consolidated statement of changes in equity, consolidated statement of cash flows and related notes cover a twelve-month period from 1 July 2013 to 30 June 2014, and therefore may not be entirely comparable with the amounts shown for the current period.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKAS 19 *Defined Benefit Plans: Employee Contributions*
Annual Improvements to HKFRSs 2010-2012 Cycle
Annual Improvements to HKFRSs 2011-2013 Cycle

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

(a) Amendments to HKAS 19 apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction of service cost in the period in which the related service is rendered. The amendments have had no impact on the Group as the Group does not have defined benefit plans.

(b) The *Annual Improvements to HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current period are as follows:

- HKFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no impact on the Group.

- HKAS 16 *Property, Plant and Equipment* and HKAS 38 *Intangible Assets*: Clarifies the treatment of the gross carrying amount and accumulated depreciation or amortisation of revalued items of property, plant and equipment and intangible assets. The amendments have had no impact on the Group as the Group does not apply the revaluation model for the measurement of these assets.

- HKAS 24 *Related Party Disclosures*: Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group as the Group does not receive any management services from other entities.

(c) The *Annual Improvements to HKFRSs 2011-2013 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current period are as follows:

- HKFRS 3 *Business Combinations*: Clarifies that joint arrangements but not joint ventures are outside the scope of HKFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has had no impact on the Group as the Company is not a joint arrangement and the Group did not form any joint arrangement during the current period.

- HKFRS 13 *Fair Value Measurement*: Clarifies that the portfolio exception in HKFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of HKFRS 9 or HKAS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which HKFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in HKFRS 13.

- HKAS 40 *Investment Property*: Clarifies that HKFRS 3, instead of the description of ancillary services in HKAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisitions of investment properties. The amendment has had no impact on the Group as the Group does not have any investment property.

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

In addition, the Company has adopted the amendments to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules") relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current period. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

3.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

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

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group
4 No mandatory effective date determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard.

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively.

The amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

3.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In September 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferral of the mandatory effective date of HKFRS 15 to 1 January 2018. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in HKAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The Group expects to adopt the amendments from 1 January 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted by the Group in arriving at these financial statements set out in this report are set out below:

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

NOTES TO FINANCIAL STATEMENTS

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3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of that asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Plant and machinery	14%-32%
Office and other equipment	19%-32%
Leasehold improvements	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents plant and machinery under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction for the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets

Intangible assets acquired separately are measured on initial recognition as cost. The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Computer software

The purchased computer software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 3 to 5 years.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recognised at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

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3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the assets. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables, interest-bearing bank borrowings and bonds payable.

Subsequent measurement

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently an enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

NOTES TO FINANCIAL STATEMENTS

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3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in profit or loss.

Provisions for product warranties granted by the Group on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period, taking into consideration interpretations and practices prevailing in the jurisdictions in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate are expensed.

Where the grant relates to a non-monetary asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of reduced depreciation charge.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred. Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that the asset will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

NOTES TO FINANCIAL STATEMENTS

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3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and

(b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset.

Employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

These financial statements are presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain entities in the Group are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

4. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

The preparation of the Group's financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgement

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in these financial statements:

Tax

Determining income tax provisions requires the Group to make judgements on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant judgement on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered.

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31 December 2015

4. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

Judgement (continued)

Tax (continued)

The New PRC Corporate Income Tax Law, which became effective on 1 January 2008, states that the distribution of dividends by a foreign-invested enterprise established in Mainland China to its foreign investors in respect of its earnings, from 1 January 2008 or thereafter, shall be subject to withholding corporate income tax at an applicable rate of 5% or 10%. The Group carefully evaluates the necessity of dividend distribution of its subsidiary established in Mainland China out of profits earned after 1 January 2008 and makes decisions on such dividend distributions based on the senior management's judgement. As at 31 December 2015, the aggregate unremitted earnings of RMB51,729,000 that are subject to withholding taxes of the Group's subsidiary established in Mainland China were considered to be indefinitely reinvested and accordingly, the related deferred tax liabilities of RMB2,587,000 as at 31 December 2015 were not recognised. For details, please refer to note 22 to the financial statements.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Useful lives and residual values of property, plant and equipment

In determining the useful life and residual value of an item of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at each financial year end based on changes in circumstances. The carrying amounts of property, plant and equipment at 31 December 2015 and 30 June 2014 were RMB164,171,000 and RMB102,294,000, respectively. Further details are given in note 14.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to the estimated impairment provision previously made.

Impairment of trade receivables

Impairment of trade receivables is made based on assessment of the recoverability of receivables due from customers. The identification of impairment requires management judgements and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will have an impact on the carrying value of the trade receivables and impairment losses/reversal of impairment losses in the period in which such estimate has been changed. As at 31 December 2015 and 30 June 2014, no impairment losses were recognised for the trade receivables. Further details are included in note 16 to the financial statements.

4. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

Estimation uncertainty (continued)

Provision against obsolete and slow-moving inventories

The Group reviews the condition of its inventories and makes provision against obsolete and slow-moving inventory items which are identified as no longer suitable for sale or use. Management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. the Group carries out an inventory review at the end of each reporting period and makes provision against obsolete and slow-moving items. Management reassesses the estimation at the end of each reporting period. The provision against obsolete and slow-moving inventories requires the use of judgements and estimates. Where the expectation is different from the original estimate, such difference will have an impact on the carrying value of inventories and the write-down of inventories recognised in the periods in which such estimates have been changed. During the period from 1 July 2014 to 31 December 2015, the amount of write-down of the inventories recognised in the consolidated statement of profit or loss was RMB11,445,000 (year ended 30 June 2014: RMB384,000). As at 31 December 2015 and 30 June 2014, the carrying amounts of write-down of inventories were approximately RMB16,357,000 and RMB4,912,000, respectively.

5. SEGMENT INFORMATION

For management purposes, the Group operates in one business unit based on its products, and has one reportable operating segment as follows:

The display products segment principally engages in the manufacture and sale of flat panel display products.

No operating segments have been aggregated to form the above reportable operating segment.

Geographical information

(a) Revenue from external customers

	Period ended 31 December 2015 RMB'000	Year ended 30 June 2014 RMB'000 (Restated)
Mainland China*	**1,708,141**	1,323,117
Other countries/areas	**1,980,020**	1,174,596
	3,688,161	2,497,713

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

* Mainland China means any part of the PRC excluding Hong Kong, Macau and Taiwan.

(b) Non-current assets

All significant operating assets of the Group are located in Mainland China. Accordingly, no geographical information of segment assets is presented.

NOTES TO FINANCIAL STATEMENTS

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5. SEGMENT INFORMATION (continued)

Information about major customers

Revenue of approximately RMB1,872,107,000 during the period form 1 July 2014 to 31 December 2015 (year ended 30 June 2014: RMB1,189,687,000) was derived from sales to fellow subsidiaries.

6. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold after allowances for returns and trade discounts.

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

	Period ended 31 December 2015 RMB'000	Year ended 30 June 2014 RMB'000 (Restated)
Revenue		
Sale of goods	**3,688,161**	2,497,713
Other income and gains		
Bank interest income	**2,555**	2,025
Subsidy income*	**12,745**	1,723
Exchange gains, net	**3,853**	762
Gain on disposal of raw materials, samples and scraps	**11,153**	2,478
Gain on a litigation compensation	**28,624**	–
Others	**421**	86
	59,351	7,074

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

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7. PROFIT BEFORE TAX

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

	Notes	**Period ended 31 December 2015 RMB'000**	Year ended 30 June 2014 RMB'000 (Restated)
Cost of inventories sold		**3,116,260**	2,124,608
Depreciation	14	**58,011**	30,411
Amortisation of intangible assets		**81**	62
Auditors' remuneration		**1,122**	286
Research and development costs:^			
current period/year expenditures*		**28,672**	17,478
Minimum lease payments under operating leases		**9,604**	6,131
Employee benefit expense (including directors' remuneration (note 9)):			
Wages and salaries		**203,734**	107,863
Pension scheme contributions*		**38,643**	19,552
		242,377	127,415
Exchange gains, net	6	**(3,853)**	(762)
Write-down of inventories to net realisable value**		**11,445**	384
Impairment reversal of trade receivables	16	**–**	(574)
Loss on disposal of property, plant and equipment		**785**	2,485
Listing expense	25	**142,151**	–

* As at 31 December 2015, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (30 June 2014: Nil).

** Write-down of inventories to net realisable value is included in "Cost of sales" in the consolidated statement of profit or loss.

^ Research and development costs are included in "Administrative expenses" in the consolidated statement of profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

8. FINANCE COSTS

	Period ended 31 December 2015 RMB'000	Year ended 30 June 2014 RMB'000 (Restated)
Interest on bank loans and bonds	**4,532**	4,265
Interest on discounted bills	**5,407**	9,748
	9,939	14,013

9. DIRECTORS' REMUNERATION

Directors' remuneration during the period from 1 July 2014 to 31 December 2015, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Period ended 31 December 2015 RMB'000
Fees	**225**
Other emoluments:	
Salaries, allowances and benefits in kind	**727**
Pension scheme contributions	**61**
	788
	1,013

The directors' remuneration was calculated from 25 June 2015, the completion date of the Reverse Takeover Transaction, and from the respective appointment as a director of the Company.

9. DIRECTORS' REMUNERATION (continued)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the period were as follows:

	Period ended 31 December 2015 RMB'000
Ms. HSU Wai Man, Helen	**75**
Ms. Xu Yan	**75**
Ms. Li Yang	**75**
	225

All the independent non-executive directors were appointed with effect from 25 June 2015.

There were no other emoluments payable to the independent non-executive directors during the period from 1 July 2014 to 31 December 2015.

(b) Executive directors and a non-executive director

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Period ended 31 December 2015				
Executive directors:				
Ms. Jing Chunmei^	**–**	**–**	**–**	**–**
Mr. Li Yuguo	**–**	**–**	**–**	**–**
Mr. Li Jian*	**–**	**249**	**18**	**267**
Mr. Ouyang Hongping	**–**	**230**	**18**	**248**
Ms. Yang Yunfang	**–**	**248**	**25**	**273**
	–	**727**	**61**	**788**
Non-executive director:				
Mr. Yuan Bing**	**–**	**–**	**–**	**–**
	–	**727**	**61**	**788**

^ Ms. Jing Chunmei resigned as an executive director of the Company on 11 August 2015.

* Mr. Li Jian is also the chief executive of the Company.

** Mr. Yuan Bing was appointed as a non-executive director of the Company with effect from 11 August 2015.

All the executive directors were appointed with effect from 25 June 2015, save for Ms. Yang Yunfang, who were appointed as an executive director with effect from 20 April 2015.

There was no arrangement under which a director waived or agreed to waive any remuneration during the period from 1 July 2014 to 31 December 2015.

NOTES TO FINANCIAL STATEMENTS

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10. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the period from 1 July 2014 to 31 December 2015 included three directors, details of whose remuneration during their appointment as a director of the Company are set out in note 9 above. Details of the remuneration during the period from 1 July 2014 to 31 December 2015 of the five highest paid individuals are as follows:

	Period ended 31 December 2015 RMB'000	Year ended 30 June 2014 RMB'000 (Restated)
Salaries, allowances and benefits in kind	**2,387**	1,110
Pension scheme contributions	**231**	170
	2,618#	1,280

\# This includes the remuneration of the said three directors, both as to their directors' remuneration since their appointment and their remuneration as employees prior to such appointment during the period.

The number of highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	Period ended 31 December 2015	Year ended 30 June 2014 (Restated)
Nil to HK$1,000,000	**5**	5

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11. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period from 1 July 2014 to 31 December 2015 (year ended 30 June 2014: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Period ended 31 December 2015 RMB'000	Year ended 30 June 2014 RMB'000 (Restated)
Current – Mainland China		
Charge for the year	**44,254**	35,098
Deferred (note 22)	**(11,942)**	(1,899)
Total tax charge for the year	**32,312**	33,199

A reconciliation of the income tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rates to the effective tax rate, are as follows:

	Period ended 31 December 2015 RMB'000	**%**	Year ended 30 June 2014 RMB'000 (Restated)	%
Profit before tax	**58,721**		122,916	
Tax at the statutory tax rates	**50,106**	**85.3**	30,729	25.0
Expenses not deductible for tax	**1,891**	**3.2**	2,470	2.0
Adjustment in respect of current tax of previous periods	**(19,956)**	**(34.0)**	–	–
Tax loss not recognised	**271**	**0.5**	–	–
Tax charge at the Group's effective tax rate	**32,312**	**55.0**	33,199	27.0

Under the relevant income tax law, TCL Display, the subsidiary in Mainland China is subject to corporate income tax at a statutory rate of 25% on its taxable income. On 9 October 2014, TCL Display was designated as a high-tech enterprise by the Guangdong Provincial Department of Science and Technology with an effective period of three years. On 30 March 2015, TCL Display was approved to be entitled to a 15% preferential tax rate for the year ended 31 December 2014 by the local tax authority based on the designation as a high-tech enterprise. As a result, a downward adjustment of RMB19,956,000 for income tax provision for the year ended 31 December 2014 was made in the current period.

The Group has tax losses arising in Hong Kong of HK$1,641,000 that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

NOTES TO FINANCIAL STATEMENTS

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12. DIVIDENDS

The directors of the Company do not recommend the payment of any dividend by the Company during the period from 1 July 2014 to 31 December 2015.

	Period ended 31 December 2015 RMB'000	Year ended 30 June 2014 RMB'000 (Restated)
Dividends recognised as distribution	**118,163**	62,239

During the period from 1 July 2014 to 31 December 2015, dividends with an aggregate amount of RMB118,163,000 (year ended 30 June 2014: RMB62,239,000) were distributed by TCL Display to its then shareholders before completion of the acquisition of the entire equity interest of TCL Display by the Company.

13. EARNINGS PER SHARE

The calculations of the basic and diluted earnings per share amounts are based on the profit for the period/year attributable to ordinary equity holders of the parent.

The weighted average number of shares used in the calculation of the basic earnings per share for the year ended 30 June 2014 is determined by reference to the pre-combination capital of TCL Display multiplied by the exchange ratio established in the Reverse Takeover Transaction.

The weighted average number of ordinary shares used in the calculation of the basic earnings per share for the period from 1 July 2014 to 31 December 2015 is determined by reference to the pre-combination capital of TCL Display multiplied by the exchange ratio established in the Reverse Takeover Transaction and the weighted average actual number of ordinary shares of the Company in issue after the completion of the Reverse Takeover Transaction.

The weighted average number of ordinary shares used in the calculation of the diluted earnings per share for the period from 1 July 2014 to 31 December 2015 is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

	Period ended 31 December 2015 RMB'000	Year ended 30 June 2014 RMB'000 (Restated)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	**26,409**	89,717

NOTES TO FINANCIAL STATEMENTS

31 December 2015

13. EARNINGS PER SHARE (continued)

	Number of shares	
	Period ended 31 December 2015	Year ended 30 June 2014 (Restated)
Shares		
Weighted average number of ordinary shares in issue during the period/year used in the basic earnings per share calculation	**784,544,431**	587,142,857
Effect of dilution – weighted average number of ordinary shares:		
Convertible bonds	**193,114,753**	–
	977,659,184	587,142,857

NOTES TO FINANCIAL STATEMENTS

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14. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery RMB'000	Office and other equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2015					
At 1 July 2014: (restated)					
Cost	**118,045**	**4,196**	**29,178**	**28,052**	**179,471**
Accumulated depreciation	**(49,716)**	**(3,008)**	**(24,453)**	**–**	**(77,177)**
Net carrying amount	**68,329**	**1,188**	**4,725**	**28,052**	**102,294**
At 1 July 2014, net of accumulated depreciation (restated)	**68,329**	**1,188**	**4,725**	**28,052**	**102,294**
Additions	**98,735**	**1,356**	**18,522**	**2,060**	**120,673**
Disposals	**(280)**	**(127)**	**(378)**	**–**	**(785)**
Depreciation provided during the period	**(40,634)**	**(773)**	**(16,604)**	**–**	**(58,011)**
Transfers	**292**	**–**	**29,348**	**(29,640)**	**–**
At 31 December 2015, net of accumulated depreciation	**126,442**	**1,644**	**35,613**	**472**	**164,171**
At 31 December 2015:					
Cost	**211,428**	**4,836**	**54,163**	**472**	**270,899**
Accumulated depreciation	**(84,986)**	**(3,192)**	**(18,550)**	**–**	**(106,728)**
Net carrying amount	**126,442**	**1,644**	**35,613**	**472**	**164,171**
30 June 2014 (restated)					
At 1 June 2013:					
Cost	75,347	3,600	29,856	23	108,826
Accumulated depreciation	(40,633)	(2,488)	(4,952)	–	(48,073)
Net carrying amount	34,714	1,112	24,904	23	60,753
At 1 July 2013, net of accumulated depreciation	34,714	1,112	24,904	23	60,753
Additions	33,960	596	3,116	36,765	74,437
Disposals	–	–	(2,485)	–	(2,485)
Depreciation provided during the year	(9,081)	(520)	(20,810)	–	(30,411)
Transfers	8,736	–	–	(8,736)	–
At 30 June 2014, net of accumulated depreciation	68,329	1,188	4,725	28,052	102,294
At 30 June 2014:					
Cost	118,045	4,196	29,178	28,052	179,471
Accumulated depreciation	(49,716)	(3,008)	(24,453)	–	(77,177)
Net carrying amount	68,329	1,188	4,725	28,052	102,294

NOTES TO FINANCIAL STATEMENTS

31 December 2015

15. INVENTORIES

	31 December 2015 RMB'000	30 June 2014 RMB'000 (Restated)
Raw materials	**75,460**	110,940
Work in progress	**35,287**	27,040
Finished goods	**47,466**	58,526
	158,213	196,506

16. TRADE AND BILLS RECEIVABLES

	31 December 2015 RMB'000	30 June 2014 RMB'000 (Restated)
Trade receivables	**426,049**	386,995
Bills receivable	**171,489**	177,052
Impairment	**–**	–
	597,538	564,047

The Group's trading terms with its customers are mainly on credit, except for certain customers, where payment in advance is normally required. The credit period is generally 30 to 90 days, depending on the size and credibility of the customers. 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.

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

	31 December 2015 RMB'000	30 June 2014 RMB'000 (Restated)
Within 1 month	**419,069**	147,684
1 to 2 months	**132,054**	330,335
2 to 3 months	**32,762**	61,187
Over 3 months	**13,653**	24,841
	597,538	564,047

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16. TRADE AND BILLS RECEIVABLES (continued)

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

	31 December 2015 RMB'000	30 June 2014 RMB'000 (Restated)
At beginning of period/year	**–**	574
Impairment losses reversed	**–**	(574)
	–	–

The aged analysis of the trade and bills receivables that are not individually nor collectively considered to be impaired, is as follows:

	31 December 2015 RMB'000	30 June 2014 RMB'000 (Restated)
Neither past due nor impaired	**592,238**	557,618
Less than 1 month past due	**5,283**	6,429
1 to 3 months past due	**17**	–
	597,538	564,047

The trade and bills receivables that were neither past due nor impaired relate to a number of diversified customers for whom there was no recent history of default.

The trade and bills receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

As at 31 December 2015, the Group had pledged certain trade receivables amounting to RMB137,989,000 (30 June 2014: RMB61,528,000) to banks with recourse in exchange for cash (note 32). The proceeds from pledging the trade receivables of RMB110,391,000 (30 June 2014: RMB49,222,000) were accounted for as collateralised bank advances until the trade receivables were collected or the Group made good of any losses incurred by the banks (note 21).

NOTES TO FINANCIAL STATEMENTS

31 December 2015

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	31 December 2015 RMB'000	30 June 2014 RMB'000 (Restated)
Non-current:		
Deposits paid for purchase of items of property, plant and equipment	**10,345**	35,545
Current:		
Prepayments	**384**	30,501
Receivables of tax refund	**10,006**	–
Deposits and other receivables	**88,273**	54,690
	98,663	85,191

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

18. CASH AND CASH EQUIVALENTS

	31 December 2015 RMB'000	30 June 2014 RMB'000 (Restated)
Cash and bank balances denominated in		
– RMB	**86,723**	43,127
– HK$	**28,510**	–
– United States dollars ("US$")	**171,372**	87,318
Cash and cash equivalents	**286,605**	130,445

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 are deposited with creditworthy banks with no recent history of default.

As at 31 December 2015, included in the Group's cash and bank balances were deposits of RMB274,369,000 (30 June 2014: RMB130,072,000), placed with TCL Finance Co., Ltd., a fellow subsidiary of the Company and a financial institution approved by the People's Bank of China. The interest rates for the deposits placed with TCL Finance Co., Ltd. ranged from 0.39% to 0.46% (year ended 30 June 2014: 0.35% to 1.35%) per annum, being the savings rates offered by the People's Bank of China during the period from 1 July 2014 to 31 December 2015. Further details of the interest income from the deposits in the related parties are set out in note 28 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

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19. TRADE AND BILLS PAYABLES

	31 December 2015 RMB'000	30 June 2014 RMB'000 (Restated)
Trade payables	**674,922**	655,915
Bills payable	**135,254**	116,686
	810,176	772,601

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

	31 December 2015 RMB'000	30 June 2014 RMB'000 (Restated)
Within 30 days	**280,748**	364,374
31 to 60 days	**201,932**	236,425
61 to 90 days	**152,132**	93,499
Over 90 days	**175,364**	78,303
	810,176	772,601

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 120 days.

20. OTHER PAYABLES AND ACCRUALS

	31 December 2015 RMB'000	30 June 2014 RMB'000 (Restated)
Deposits received from customers	**8,182**	23,899
Salaries and welfare payables	**37,279**	34,653
Tax payables other than current income tax liabilities	**7,233**	9,394
Other payables	**104,920**	56,667
Accruals	**16,330**	6,522
	173,944	131,135

Other payables are non-interest-bearing and have an average term of three months.

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21. INTEREST-BEARING BANK BORROWINGS

	31 December 2015			30 June 2014 (restated)		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – secured	**0.95**	**2016**	**26,794**	3.43	2014	7,408
Collateralised bank advances – secured	**0.79 - 0.92**	**2016**	**110,391**	3.13	2014	49,222
			137,185			56,630
Repayable:						
Within one year			**137,185**			56,630

Notes:

(a) The Group had banking facilities of RMB1,220,000,000 (30 June 2014: RMB610,000,000), of which RMB272,437,000 (30 June 2014: RMB36,286,000) had been utilised as at the end of the reporting period.

(b) The Group's interest-bearing bank borrowings are secured by:

(i) trade receivables of RMB137,989,000 (30 June 2014: RMB61,528,000); and

(ii) as at 30 June 2014, certain interest-bearing bank borrowings of RMB7,408,000 were secured by letters of credit.

In addition, the Company's ultimate holding company has guaranteed certain of the Group's interest-bearing bank borrowings up to RMB137,185,000, (30 June 2014: Nil) as at the end of the reporting period.

(c) The Group's interest-bearing bank borrowings are denominated in US$.

NOTES TO FINANCIAL STATEMENTS

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22. DEFERRED TAX

Deferred tax assets

The movements in deferred tax assets are as follows:

	Impairments RMB'000	Depreciation in excess of related allowance RMB'000	Accruals RMB'000	Government grants RMB'000	Total RMB'000
At 1 July 2013 (restated)	1,168	1,573	–	1,895	4,636
Credited/(charged) to the statement of profit or loss during the year (note 11)	96	77	1,849	(123)	1,899
At 30 June 2014 and 1 July 2014 (restated)	1,264	1,650	1,849	1,772	6,535
Credited to the statement of profit or loss during the period (note 11)	2,825	4,440	3,098	1,579	11,942
At 31 December 2015	4,089	6,090	4,947	3,351	18,477

Deferred tax liabilities

At 31 December 2015, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiary established in Mainland China. In the opinion of the directors, it is not probable that the subsidiary will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with the investment in the subsidiary in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB2,587,000 as at 31 December 2015.

23. SHARE CAPITAL

	31 December 2015	30 June 2014
Authorised*: 4,000,000,000 (30 June 2014: 2,000,000,000) ordinary shares of HK$0.10 each (HK$'000)	**400,000**	200,000
Issued and fully paid: 1,721,499,806 (30 June 2014: 772,008,992) ordinary shares (HK$'000)	**172,150**	77,201
Equivalent to RMB'000	**138,561**	60,880

* Pursuant to a special resolution passed on 11 March 2015, the authorised share capital of the Company was increased from HK$200,000,000 to HK$400,000,000 by the creation of 2,000,000,000 additional shares of HK$0.10 each.

23. SHARE CAPITAL (continued)

A summary of movements in the Company's share capital is as follows:

	Notes	Number of shares in issue	Share capital RMB'000
At 1 July 2013, 30 June 2014 and 1 July 2014 (restated)		**772,008,992**	60,880
Capital Restructuring	(i)	**(694,808,093)**	(54,793)
Issuance and allotment of Consideration Shares	(i)	**972,857,143**	76,720
Issuance upon Open Offer	(i)	**101,441,768**	8,000
Conversion of the convertible bonds	(ii)	**569,999,996**	47,754
At 31 December 2015		**1,721,499,806**	138,561

Notes:

(i) Details are set out in note 2 to the consolidated financial statements.

(ii) On 28 December 2015, the conversion rights attaching to 569,999,996 convertible bonds were exercised at the conversion price of HK$0.35 per conversion share, resulting in the issue of 59,999,996 shares, the increase in the share capital of RMB4,754,000 and the transfer of RMB109,572,000 from the convertible bond reserve to the share premium account.

24. RESERVES

The amount of the Group's reserves and the movements therein during the period from 1 July 2014 to 31 December 2015 and the year ended 30 June 2014 are presented in the consolidated statement of changes in equity on page 51 of the annual report.

Capital reserve

Capital reserve arose from the Reverse Takeover Transaction and the adjustment of TCL Display's legal capital to reflect the Company's legal capital.

Statutory surplus reserve

In accordance with the PRC Company Law, TCL Display is required to allocate 10% of its profit after tax to the statutory surplus reserve (the "SSR") until such reserve reaches 50% of its registered capital. Subject to certain restrictions set out in the PRC Company Law, part of the SSR may be converted to increase share capital of TCL Display, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital. As at 31 December 2015, the SSR of TCL Display amounted to RMB34,482,000 (30 June 2014: RMB17,403,000).

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25. ACQUISITION OF A SUBSIDIARY

As mentioned in note 2 above, on the Combination Date, the Company acquired the entire interest of TCL Display, which constitutes a reverse takeover and TCL Display is treated as the acquirer for accounting purpose. Accordingly, these consolidated financial statements have been prepared as a continuation of the financial statements of TCL Display, and the results of the Company have been consolidated since the completion date of the Reverse Takeover Transaction. TCL Display is deemed to have issued shares in exchange for the net liabilities and listing status of the Company which resulted in the listing expense of approximately RMB142,151,000.

Details of the identifiable assets and liabilities of the Company and the listing expense arising from the Reverse Takeover Transaction as at the Combination Date were as follows:

	RMB'000
Cash and cash balances	27,999
Other payables and accruals	(44,814)
Bonds payable	(47,316)
Total identifiable net liabilities at fair value	(64,131)
Listing expense	142,151
Fair value of the deemed shares issued by TCL Display	78,020

An analysis of the cash flows in respect of the Reverse Takeover Transaction is as follows:

	RMB'000
Cash consideration	–
Cash and bank balances acquired	27,999
Net inflow of cash and cash equivalents included in cash flows from investing activities	27,999

26. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its office properties and dormitories under operating lease arrangements. Leases for these properties are negotiated for terms ranging from one to two years.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	31 December 2015 RMB'000	30 June 2014 RMB'000 (Restated)
Within one year	**–**	6,458
In the second year	**–**	3,229
	–	9,687

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27. COMMITMENTS

In addition to the operating lease commitments detailed in note 26 above, the Group had the following capital commitments as at the end of the reporting period:

	31 December 2015 RMB'000	30 June 2014 RMB'000 (Restated)
Contracted, but not provided for:		
Plant and machinery	**17,594**	47,850

28. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Transactions with related parties

In addition to the transactions detailed elsewhere in the financial statements, the Group had the following transactions with related parties during the period from 1 July 2014 to 31 December 2015:

	Notes	**Period ended 31 December 2015 RMB'000**	Year ended 30 June 2014 RMB'000
Ultimate holding company:			
Purchases of products	(i)	**514,856**	988,797
Interest income	(i)	**–**	48
Interest expense	(i)	**–**	485
Guarantee fee		**790**	51
		515,646	989,381
Immediate holding company:			
Interest expense	(ii)	**1,872**	–
Fellow subsidiaries:			
Sales of products	(i)	**1,872,107**	1,189,687
Sales of raw materials and samples	(i)	**8,061**	728
Purchases of products	(i)	**1,044**	4,998
Purchases of plant, vehicles, furniture and fixtures	(i)	**1,014**	388
Rental charges	(i)	**9,687**	2,839
Interest income	(i)	**2,146**	725
Interest expense	(i)	**2,310**	7,144
		1,896,369	1,206,509

Notes:

(i) The sales, purchases, leasehold transactions, interest income and interest expense with the related parties were made according to prices mutually agreed between two 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.

(ii) Interest is chargeable at 7.5% for Bond A issued to the immediate holding company as a result of the Debt Restructuring. Details of Bond A and the Debt Restructuring are disclosed in note 2 to the financial statements.

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28. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Other transactions with related parties

The Company's ultimate holding company has guaranteed certain bank loans made to the Group of up to RMB137,185,000 (30 June 2014: Nil) as at the end of the reporting period, as further detailed in note 21 to the financial statements.

(c) Outstanding balances with related parties

	Due from related companies		Due to related companies	
	31 December 2015 RMB'000	30 June 2014 RMB'000 (Restated)	**31 December 2015 RMB'000**	30 June 2014 RMB'000 (Restated)
Current:				
The ultimate holding company	**–**	–	**48,327**	259,388
The immediate holding company	**61**	–	**36,958**	–
Fellow subsidiaries	**73,483**	197,782	**32,943**	17
	73,544	197,782	**118,228**	259,405
Non-current:				
The immediate holding company	**–**	–	**58,646**	–
	73,544	197,782	**176,874**	259,405

The balances with the ultimate holding company and fellow subsidiaries are mainly trading balances which are unsecured, interest-free and have no fixed terms of repayment. The non-current balance with the immediate holding company as at 31 December 2015 was the bonds payable of RMB58,646,000. The details of the bonds payable are disclosed in note 2 to the financial statements. The current balance with the immediate holding company as at 31 December 2015 comprised the interest of the bonds payable of RMB1,948,000, the loan from the immediate holding company of RMB251,000 and an amount of RMB34,759,000 relating to the reimbursement for the listing expense which was paid by the immediate holding company on behalf of the Company. The current balance with the immediate holding company is unsecured, interest-free and have no fixed terms of repayment.

(d) Compensation of key management personnel of the Group

	31 December 2015 RMB'000	30 June 2014 RMB'000 (Restated)
Short-term employee benefits	**2,618**	1,280

Further details of directors' emoluments are included in note 9 to the financial statements.

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29. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	Loans and receivables	
	31 December 2015 RMB'000	30 June 2014 RMB'000 (Restated)
Financial assets		
Trade and bills receivables	**597,538**	564,047
Financial assets included in deposits and other receivables	**88,273**	54,690
Cash and cash equivalents	**286,605**	130,445
	972,416	749,182

	Financial liabilities at amortised cost	
	31 December 2015 RMB'000	30 June 2014 RMB'000 (Restated)
Financial liabilities		
Trade and bills payables	**810,176**	772,601
Financial liabilities included in other payables and accruals	**104,920**	56,667
Interest-bearing bank borrowings	**137,185**	56,630
Bonds payable	**58,646**	–
	1,110,927	885,898

30. FAIR VALUE MEASUREMENT

Management has assessed that the fair values of cash and cash equivalents, trade and bills receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, interest-bearing bank borrowings, approximate to their carrying amounts largely due to the short-term maturities of these instruments.

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 bonds payable 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 Group's own non-performance risk for the bonds payable as at 31 December 2015 was assessed to be insignificant.

As at 31 December 2015 and 30 June 2014, the carrying amounts of the Group's financial assets and financial liabilities approximate to their fair values.

The Group did not have any financial assets and financial liabilities measured at fair value as at 31 December 2015 and 30 June 2014.

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31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings, bonds payable and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, market risk, credit risk and liquidity risk. The board of directors review and agree policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales and purchases in currencies other than the units' functional currencies. Approximately 54% of the Group's sales and 36% of the Group's purchases were denominated in currencies other than the functional currency of the operating units making the sale and purchase during the period from 1 July 2014 to 31 December 2015, respectively.

The following table demonstrates the sensitivity at the end of each reporting period to a reasonably possible change in the US$ exchange rate, with all other variables held constant, of the Group's profit before tax and the Group's equity.

	Increase/ (decrease) in US$ rate %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity* RMB'000
31 December 2015			
If RMB weakens against US$	5	(3,056)	–
If RMB strengthens against US$	(5)	3,056	–
30 June 2014 (restated)			
If RMB weakens against US$	5	5,920	–
If RMB strengthens against US$	(5)	(5,920)	–

* Excluding retained profits

Market risk

The Group's production process requires a significant amount of LCD, IC circuits and other materials, and the Group's success depends significantly on its ability to secure sufficient and constant supply of these principal raw materials for its production at acceptable price levels. LCD is the most significant raw material used in the Group's production. The Group does not have long-term, fixed-cost supply contracts of raw materials with its suppliers. Since many of the Group's sales are priced by reference to the market price of lead at the time of a particular order, its exposure to the risk of changes in the price of lead is reduced.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which mainly comprise cash and cash equivalents, financial assets included in prepayments, deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. The Group had certain concentrations of credit risk as 92% of the Group's trade and bills receivables were due from the Group's top five customers as at 31 December 2015 (30 June 2014: 91%).

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 16 to the financial statements.

Liquidity risk

The Group's policy is to maintain sufficient cash and cash equivalents and have available funding through capital contribution and financial support from related parties and bank borrowings.

The maturity profile of financial liabilities as at 31 December 2015, based on the contractual undiscounted payments, was as follows:

	Less than 1 year RMB'000	1 to 5 years RMB'000	Total RMB'000
31 December 2015			
Trade and bills payables	**810,176**	**–**	**810,176**
Financial liabilities included in other payables and accruals	**104,920**	**–**	**104,920**
Interest-bearing bank borrowings	**137,381**	**–**	**137,381**
Bonds payable	**3,770**	**71,779**	**75,549**
	1,056,247	**71,779**	**1,128,026**
30 June 2014 (restated)			
Trade and bills payables	772,601	–	772,601
Financial liabilities included in other payables and accruals	56,667	–	56,667
Interest-bearing bank borrowings	56,875	–	56,875
	886,143	–	886,143

Taking into account the Group's financial position, the directors do not believe that it is probable that the bank will exercise its discretionary rights to demand immediate repayment. The directors believe that interest-bearing bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

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31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the period from 1 July 2014 to 31 December 2015.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. Net debt is calculated as interest-bearing bank borrowings, trade and bills payables, financial liabilities included in other payables and accruals and bonds payable less cash and cash equivalents. Capital represents equity attributable to owners of the parent. The Group's policy is to keep the gearing ratio at a reasonable level. The gearing ratios at the end of the reporting periods are as follows:

	31 December 2015 RMB'000	30 June 2014 RMB'000 (Restated)
Trade and bills payables	**810,176**	772,601
Financial liabilities included in other payables and accruals	**104,920**	56,667
Interest-bearing bank borrowings	**137,185**	56,630
Bonds payable	**58,646**	–
Less: Cash and cash equivalents	**(286,605)**	(130,445)
Net debt	**824,322**	755,453
Equity attributable to owners of the parent	**104,939**	131,192
Capital and net debt	**929,261**	886,645
Gearing ratio	**89%**	85%

32. TRANSFERS OF FINANCIAL ASSETS

As part of its normal business, the Group entered into trade receivable factoring arrangements and transferred certain trade receivables to banks for cash. In the opinion of the directors, the Group retained substantially all risks and rewards of the transferred trade receivables, and accordingly, it continued to recognise the full carrying amount of the transferred trade receivables and the associated liabilities which were the collateralised bank advances. Subsequent to the transfer, the Group did not retain any rights on the use of the trade receivables, including the sale, transfer or pledge of the trade receivables to any other third parties. As at 31 December 2015, the carrying amounts of the transferred trade receivables not derecognised and the collateralised bank advances were RMB137,989,000 (30 June 2014: RMB61,528,000) and RMB110,391,000 (30 June 2014: RMB49,222,000) (note 21), respectively.

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33. LITIGATIONS

Upon the Schemes becoming effective on 16 April 2015 (the "Effective Date"), the Group only comprised the Company and all claims against the Group became subject to a formal adjudication process, dealt with and compromised under the provisions thereof, whilst all rights, causes of action or claims of the Company against any person in respect of transactions or events incurred up to the Effective Date were transferred to Top Distinction Limited (the "SchemeCo"), a special purpose vehicle established to and controlled by the Hong Kong Scheme administrators to hold assets transferred pursuant to the terms of the Hong Kong Scheme. Accordingly, all litigations which were being taken against and for the Group as at the Effective Date have been transferred to the SchemeCo.

Pursuant to the terms of the Hong Kong Scheme, the Company as assignor and the SchemeCo as assignee entered into a deed of assignment of claims ("Deed of Assignment") on 24 June 2015, under which (among other things) the SchemeCo undertook that it would make an application to the court to substitute itself as the plaintiff in The Company vs Ms. HUI Siu-ling, Elina (1st Defendant) and Ms. WANG Pik-lan (2nd Defendant) – High Court Action 1564 of 2011. Pursuant to an order dated 27 October 2015, the High Court has ordered the SchemeCo to substitute itself as the plaintiff in the aforesaid proceedings.

34. COMPARATIVE AMOUNTS

As further explained in note 3 to the financial statements, due to the implementation of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) during the current period, the presentation and disclosures of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been restated to conform with the current period's presentation and disclosures.

NOTES TO FINANCIAL STATEMENTS

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35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	31 December 2015 RMB'000	30 June 2014 RMB'000 (Restated)
NON-CURRENT ASSETS		
Investments in subsidiaries	**164,537**	–
Total non-current assets	**164,537**	–
CURRENT ASSETS		
Prepayment and other receivables	**26,776**	3
Total current assets	**26,776**	3
CURRENT LIABILITIES		
Other payables and accruals	**45,666**	401,719
Interest payable	**1,948**	–
Financial guarantee liabilities	**–**	2,215,966
Total current liabilities	**47,614**	2,617,685
NET CURRENT LIABILITIES	**(20,838)**	(2,617,682)
TOTAL ASSETS LESS CURRENT LIABILITIES	**143,699**	(2,617,682)
NON-CURRENT LIABILITIES		
Bonds payable	**58,646**	–
Total non-current liabilities	**58,646**	–
Net assets	**85,053**	(2,617,682)
EQUITY		
Share capital	**138,561**	60,880
Reserves (note)	**(53,508)**	(2,678,562)
	85,053	(2,617,682)

NOTES TO FINANCIAL STATEMENTS

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35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

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

	Convertible bonds reserve RMB'000	Share premium account RMB'000	Contributed surplus RMB'000	Accumulated losses RMB'000	Exchange fluctuation reserve RMB'000	Total equity RMB'000
At 1 July 2013 (restated)	–	249,743	128,048	(3,038,997)	–	(2,661,206)
Loss and total comprehensive loss for the year	–	–	–	(17,356)	–	(17,356)
At 30 June 2014 (restated)	–	249,743	128,048	(3,056,353)	–	(2,678,562)
At 31 July 2014 (restated)	–	249,743	128,048	(3,056,353)	–	(2,678,562)
Profit and total comprehensive income for the period^	–	–	–	2,243,838	–	2,243,838
Issuance and allotment of Consideration Shares*	–	191,799	–	–	–	191,799
Issue of the convertible bonds*	157,326	–	–	–	–	157,326
Open offer*	–	19,999	–	–	–	19,999
Capital restructuring*	–	(461,541)	(128,048)	644,382	–	54,793
Conversion of the convertible bonds (note 23)	(157,326)	109,572	–	–	–	(47,754)
Exchange differences on translation of foreign operations	–	–	–	–	5,053	5,053
At 31 December 2015	–	109,572	–	(168,133)	5,053	(53,508)

^ The profit and total comprehensive income for the period was mainly attributable to the gain on the Debt Restructuring.

* Details are set out in note 2 to the consolidated financial statements.

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 10 March 2016.

FIVE YEAR FINANCIAL SUMMARY

A summary of the audited results, assets and liabilities of the Group for the last five years ended 31 December 2015 is set out as below:

	Year ended 31 December				
	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000
RESULTS					
Revenue	2,242,822	2,614,228	1,936,632	1,021,660	738,109
Cost of sales	(2,103,219)	(2,375,713)	(1,762,564)	(953,360)	(674,740)
Gross profit	139,603	238,515	174,068	68,300	63,369
Other income and gains	31,348	32,911	3,942	7,254	4,365
Selling and distribution expenses	(32,668)	(42,589)	(39,453)	(18,325)	(13,387)
Administrative expenses	(51,525)	(53,822)	(43,940)	(25,245)	(23,222)
Listing expense	(142,151)	–	–	–	–
Other expenses	(302)	(474)	(132)	(112)	(1)
Finance costs	(7,851)	(7,783)	(9,581)	(608)	(522)
PROFIT/(LOSS) BEFORE TAX	(63,546)	166,758	84,904	31,264	30,602
Tax	(5,990)	(42,088)	(20,044)	(3,508)	(3,663)
PROFIT/(LOSS) FOR THE YEAR	(69,536)	124,670	64,860	27,756	26,939
Attributable to					
Owners of the parent	(69,536)	124,670	64,860	27,756	26,939
	(69,536)	124,670	64,860	27,756	26,939

ASSETS AND LIABILITIES

	As at 31 December				
	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000
TOTAL ASSETS	1,334,090	1,224,056	1,098,344	479,827	376,626
TOTAL LIABILITIES	(1,229,151)	(1,030,168)	(975,081)	(346,565)	(246,026)
	104,939	193,888	123,263	133,262	130,600