创意感动生活
The Creative Life

TCL COMMUNICATION TECHNOLOGY HOLDINGS LIMITED

STOCK CODE : 2618

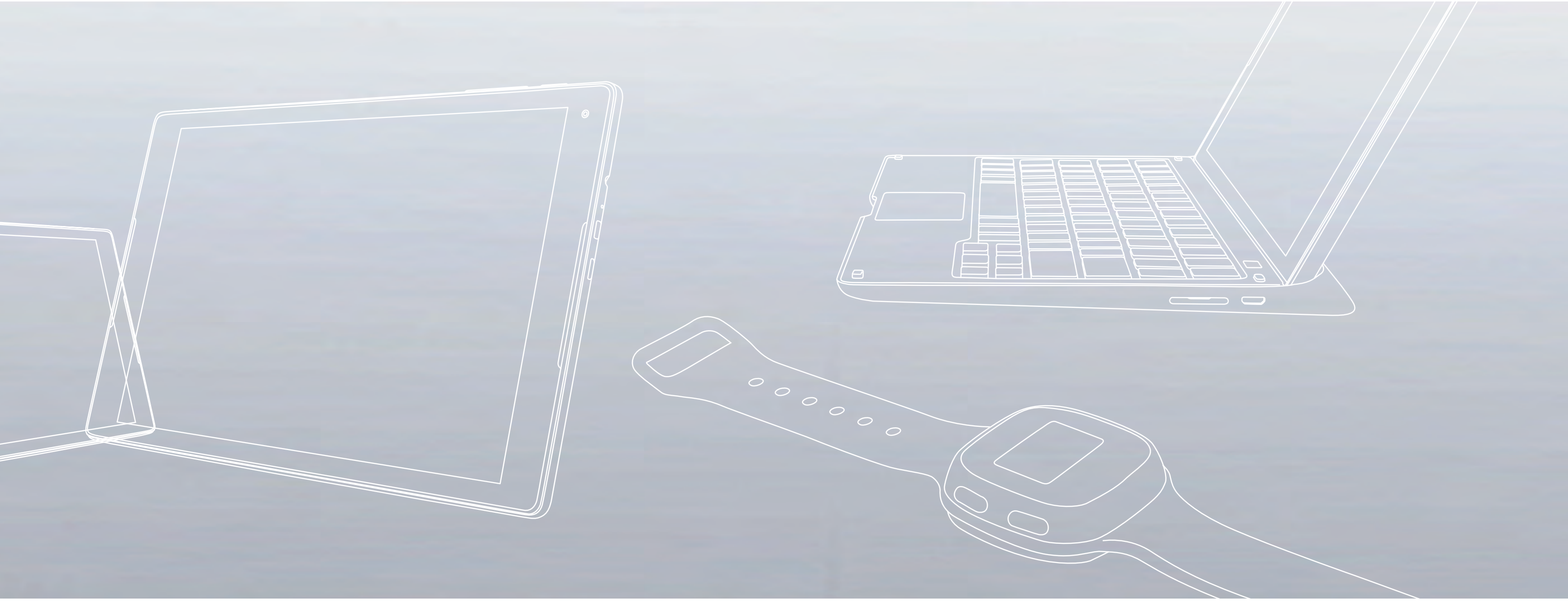
ANNUAL REPORT
2015

Corporate Structure

TCL Communication Technology Holdings Limited ("TCL Communication" or the "Company"; HKSE stock code: 2618) together with its subsidiaries (collectively the "Group") designs, manufactures and markets an expanding portfolio of mobile and internet products worldwide under two key brands – **alcatel** and **TCL**. The Group's portfolio of products is currently sold in China and over 170 countries throughout North America, Latin America, Europe, the Middle East, Africa and Asia Pacific. Headquartered in Shenzhen, China, TCL Communication operates its highly efficient manufacturing plant and R&D centres in various provinces and cities of the PRC. It employs around 13,000 people in China, Hong Kong and overseas. TCL Communication is one of the few companies in Hong Kong or China who owns or licenses 2G, 2.5G, 2.75G, 3G and 4G patented technologies. It is also able to independently develop products and solutions for the GSM, GPRS, EDGE, CDMA, WCDMA, TD-SCDMA and LTE. Currently, TCL Corporation ("TCL Corp.") is the Group's largest shareholder.

Contents

2015 in Numbers



No.1

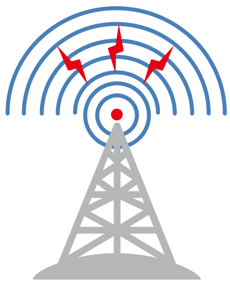
Chinese vendor in overseas

(Source: 2015 FY Gartner and Company Data)

Total

80%

of sales volume via highly barred operators



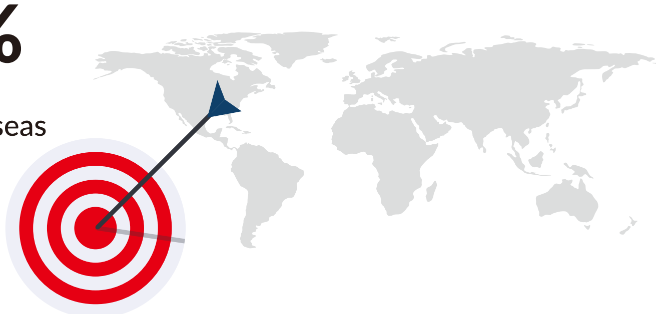
Over

60%

of sales from emerging markets

90%

of sales from overseas

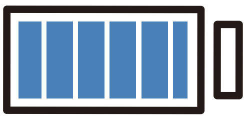


Global presence across over

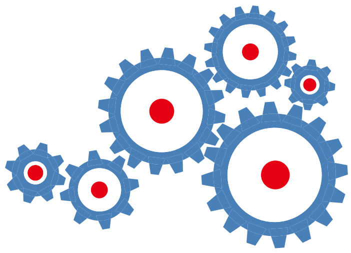
170

countries

Maximum
annual
capacity
120 Mu



Total number of
engineers
3,000

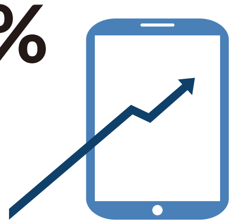


Operates
180
repair centres

Ranked
No.5
of the Global
Top 10 Handset Brand
(Source: 2015 FY Gartner and Company Data)

Around
13,000
employees around
the world

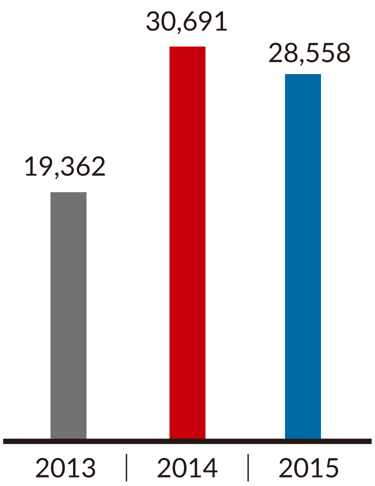
The sales volume
of tablet increased
122%
YoY



Financial Highlights

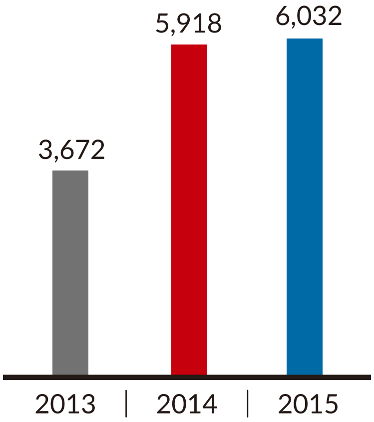
(HK$ MILLION)

REVENUE



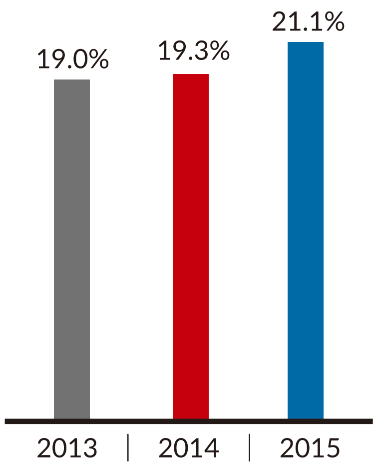
(HK$ MILLION)

GROSS PROFIT



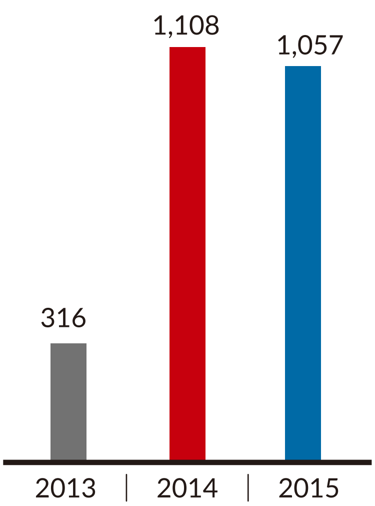
(%)

GROSS PROFIT MARGIN



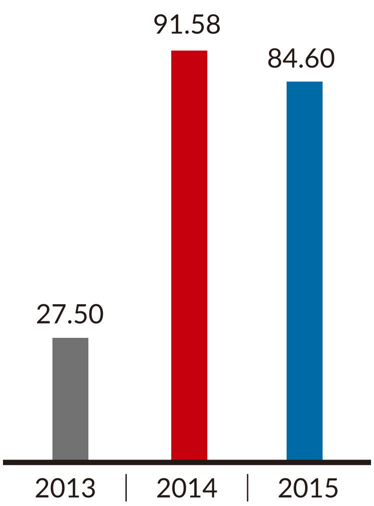
(HK$ MILLION)

NET PROFIT



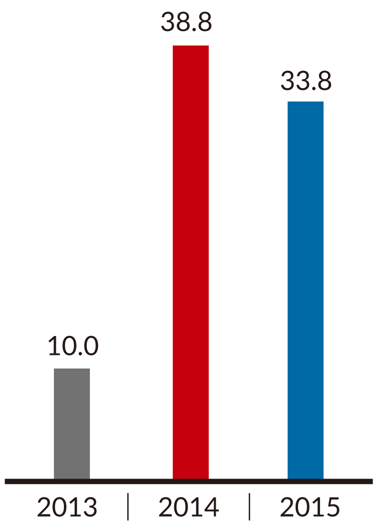
(HK CENTS)

BASIC EARNINGS PER SHARE



(HK CENTS)

FULL YEAR DIVIDEND PER SHARE



FINANCIAL SUMMARY

(HK$'000)	2015	2014	CHANGE (%)
REVENUE	28,557,585	30,691,054	–7%
GROSS PROFIT	6,032,148	5,917,552	+2%
GROSS PROFIT MARGIN (%)	21.1%	19.3%	+1.8%
PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT	1,056,991	1,092,507	–3%
BASIC EARNINGS PER SHARE (HK CENTS)	84.60	91.58	–8%

FINANCIAL POSITION

(HK$'000)	2015	2014	CHANGE (%)
PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND PREPAID LAND LEASE PAYMENTS	1,935,125	1,598,232	+21%
CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS	1,594,047	2,387,771	–33%
NET CURRENT ASSETS	225,036	597,548	–62%
TOTAL LIABILITIES	12,568,650	15,517,074	–19%
TOTAL INTEREST BEARING BORROWINGS	3,252,648	4,312,171	–25%
NET ASSETS	4,038,337	4,179,082	–3%

KEY FINANCIAL INDICATORS

	2015	2014	CHANGE (%)
INVENTORY TURNOVER (DAYS)*	26	37	–30%
TRADE RECEIVABLE TURNOVER (DAYS) **	89	72	+24%
CURRENT RATIO (TIMES)	1.02	1.04	–2%

* Only including factory materials and goods
** Excluding factored trade receivables

2015 Year in Review

APRIL

Become one of the official sponsors for the Mexican racing team *Tame*. The team will participate in *2015 National Association for Stock Car Auto Racing (NASCAR) Mexico Series*.

FEBRUARY

Launch a selection of **alcatel** products at *MWC 2015*. **alcatel IDOL 3** won four major recognitions due to its advanced hardware configuration and unique design of free revolves.

JANUARY

Launch the thinnest and lightest two in one 10-inch tablet **alcatel POP 10** and the Group's debut smartwatch **alcatel WATCH** at *CES 2015*. **alcatel WATCH** won the "Wearable Tech Award". Sponsor *the Color Run 2015-Shine Tour* in North America.

OCTOBER

Become the official smartphone partner of *New York City Football Club (as the image on the left)* and the official and exclusive smartphone and tablet partner of the league in the *Australian National Basketball League 2015-2016.*

SEPTEMBER

3-Proof handset **alcatel GO PLAY** and **alcatel GO WATCH** under new **alcatel GO** series and the new genre-busting smart device — BigPad **Xess** debuted at *IFA Berlin 2015*.

AUGUST

Become the official smartphone and tablet partner of *LA Galaxy*.

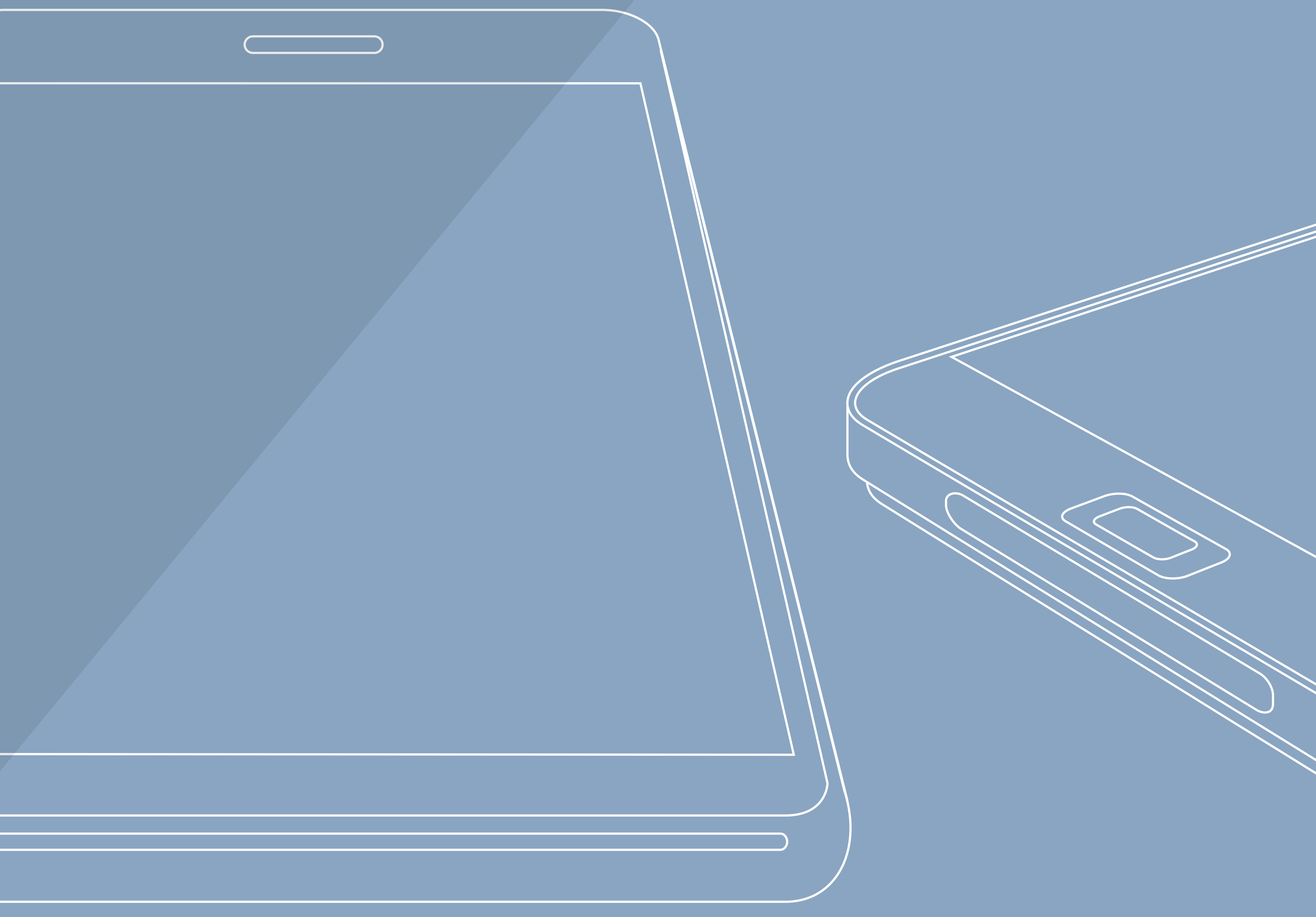
MAY

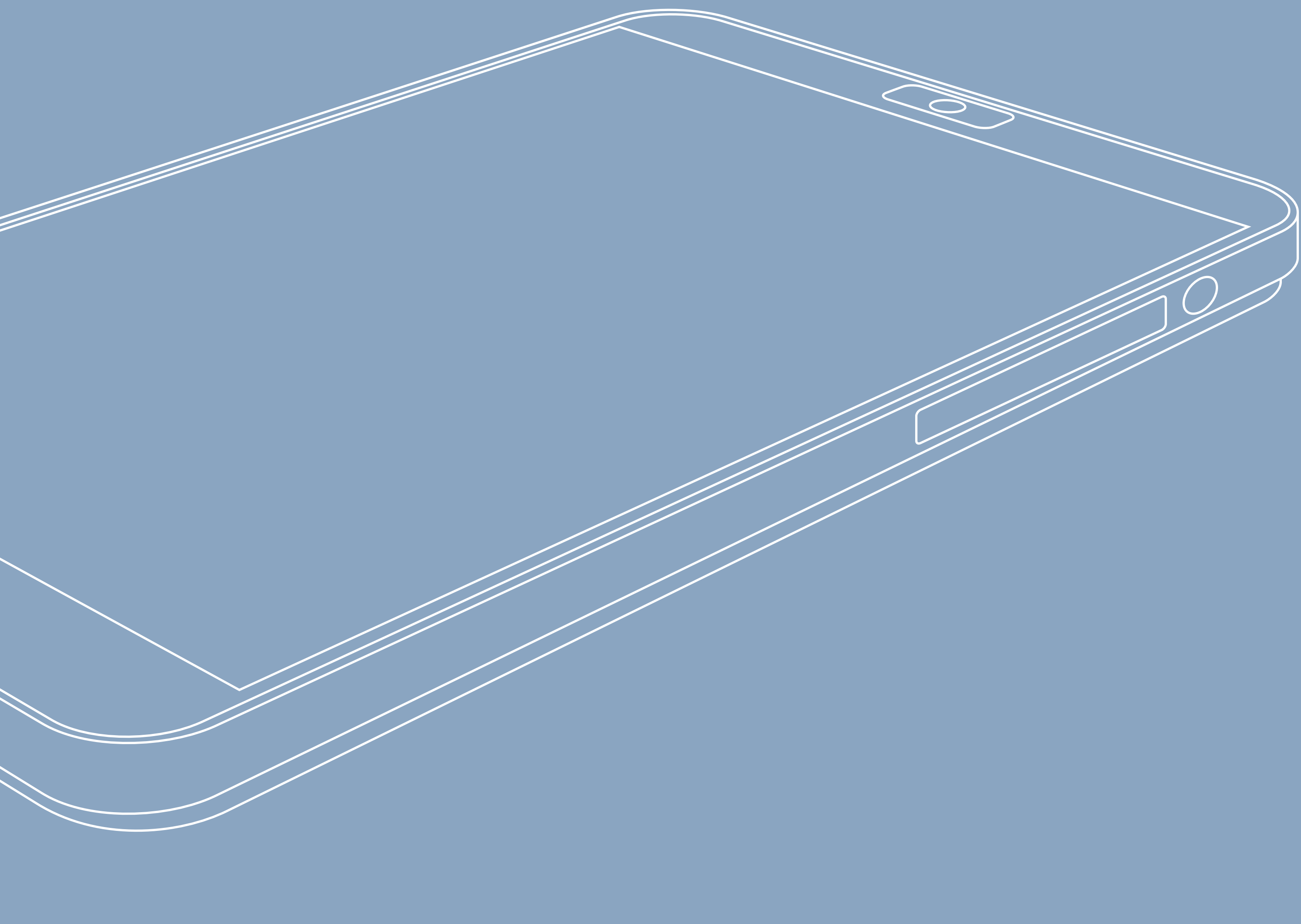
Team up with China Telecom and MediaTek to launch the cost-effective 4G handset **TCL P588L**.

JUNE

Set up a regional head office in Dubai, launch **alcatel IDOL 3** (as the image on the right) in United Arab Emirates and become the official smartphone partner of *FC Toronto* in North America.

CHAIRMAN'S STATEMENT





Mr. LI Dongsheng
Chairman

CHAIRMAN'S STATEMENT

Dear Shareholders,

Amidst a slowdown in the global economy and fluctuating exchange rates, consumer sentiment was low in 2015. We, however, responded well to these constantly shifting market conditions. With concerted efforts by our valued staff, coupled with stringent controls on costs and expenses and an effective "Step Up" product strategy, we were able to secure fifth position among global handset brands in 2015 with a healthy and stable level of profitability.

Last year, from the initial establishment of the twin strategies of "Double +" transformation and internationalisation and continuing with their deeper implementation, we have gradually grown into a global leader both as a smart device manufacturer and an internet application service provider. We have now applied "Intelligence + Internet" across all our products and have promoted the new "Product + Service" business model.

On the product front, we launched a number of innovative smart devices which are widely recognised by the market, including the award-winning flagship smartphone **alcatel IDOL 3**, and **alcatel WATCH**, the world's first smart wearable device supporting both Android and iOS operating systems. On the mobile internet application and service side, as of 31 December 2015, the number of cumulative activated mobile users of our mobile internet platform had grown more than 2 times year-on-year to 23.6 million, while the number of cumulative application downloads amounted to nearly 226.3 million. The online financial service platform (third-party mobile payment gateway),

We were able to secure fifth position among global handset brands in 2015 with a healthy and stable level of profitability.

which was jointly developed by us and our parent company, TCL Corporation, recognised a settlement amount of HK$3.6 billion, a year-on-year increase of almost 1.5 times. These results showed that we have achieved substantial progress in our business transformations relating to products and user management.

We foresee that the purchasing power of the overall market will be adversely affected by uncertainties in the global economy and continuing economic slowdown in emerging markets in 2016. However, we also see that it will be a year of opportunities as well as challenges, representing a unique opportunity for us to outpace our peers by unleashing our business potential, enhancing our corporate competitiveness and establishing a bridgehead in a competitive business environment.

Moving forward, we will continue to integrate the spirit of "goals and beliefs, teamwork, execution, tenacity and breakthrough" into our corporate culture, which will be a powerful driving force to propel us to the next level. We will intensify our efforts towards internationalisation and the "Double +" business transformation strategy. In our internationalisation efforts, we will adhere to the strategy of "Focusing on emerging markets, increasing market share in European and American markets", achieving a leading position in each market by adjusting our sales channels, optimising our product portfolio and improving our product competitiveness.

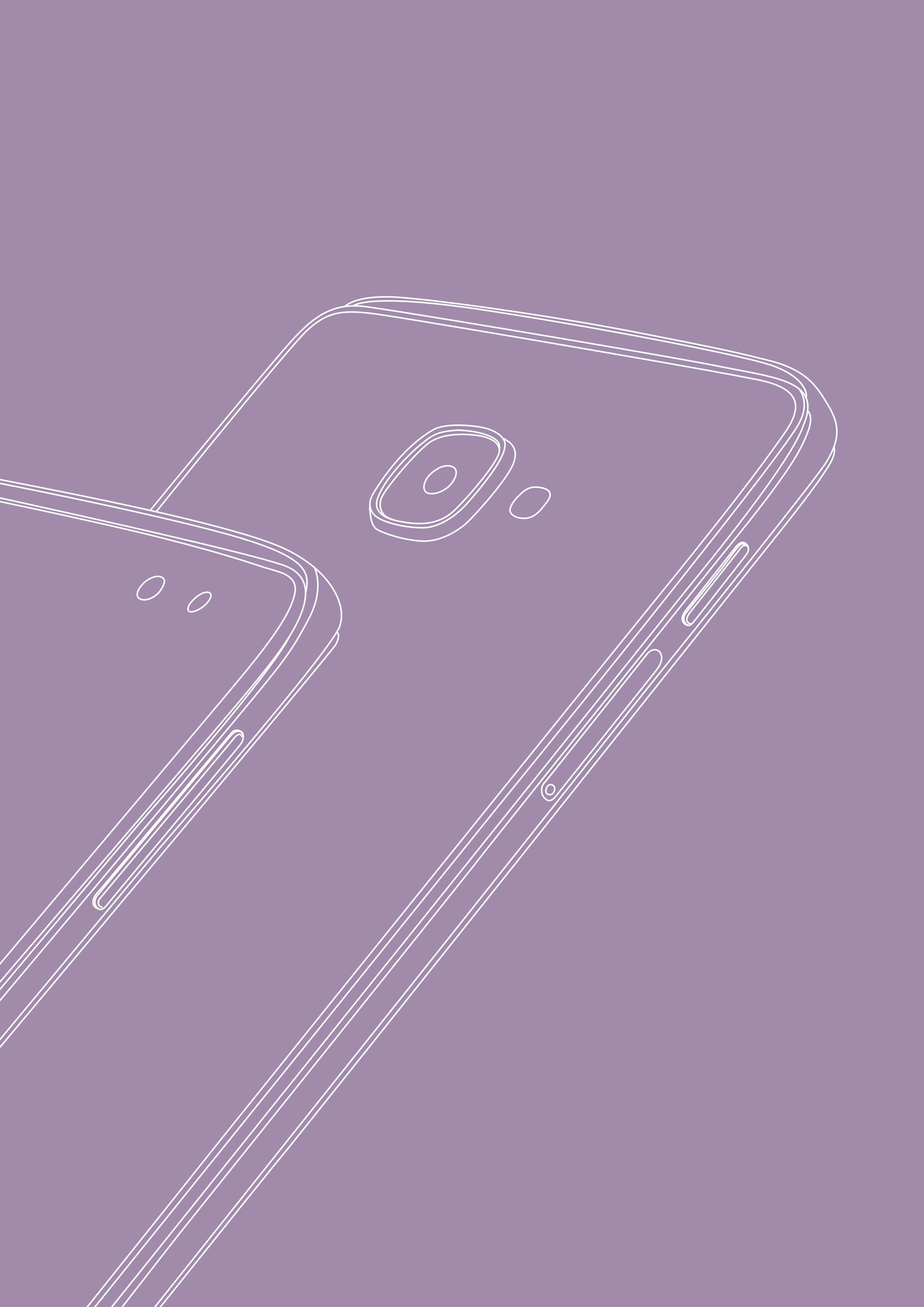
In the "Double +" business transformation, we will transition from hardware-based to software-based business, and aim to raise the number of cumulative activated mobile users of our mobile internet platform and downloads per capita, as well as to increase the value and loyalty of users by vertical industry chain integration and horizontal business expansion. At the same time, we will be launching competitive, innovative payment products and financial services to attract more internet-connected business users and to achieve a sustainable income by continuing development of our service segment and unleashing the development potential there. In addition, we are committed to enhancing our cloud capabilities in Big Data analysis and content distribution, to improve our product ecosystem from the users' point of view and further broaden our user base.

In 2016, on top of our solid business foundation and healthy financial position, we aim to enhance our four core competencies, namely product technology, industry, branding and globalisation, and internet application services. We will be actively developing user-oriented smart devices and application services, and establishing a comprehensive, expandable service and integrated product platform in order to grasp every business opportunity to become a leading mobile internet enterprise.

Last but not least, on behalf of the Board of Directors, I would like to express my sincere gratitude to our shareholders, customers, suppliers and business partners for their unwavering support. Also, I would like to thank the management and staff for their unstinting effort.

LI Dongsheng
Chairman
23 March 2016

MANAGEMENT DISCUSSION AND ANALYSIS



Management Discussion and Analysis

Business Review

Amidst a challenging global economy and fluctuating exchange rates, consumer sentiment was weak, which exerted pressure on the prices and profit margins of handsets in 2015. For the year ended 31 December 2015, the Group reported total sales volume of handsets and other products reaching 80.0 million units, representing a year-on-year increase of 9%, of which that of smart devices increased by 7% year-on-year to 44.5 million units. Owing to the slowdown in smartphone growth and the better-than-expected feature phone sales, the overall average selling price ("ASP") of the Group's products decreased from US$53.5 in 2014 to US$46.0 in 2015. During the year, the Group's overall revenue decreased 7% year-on-year to HK$28.6 billion. Face with these market trends, the Group reformed its sales strategy to focus on businesses with high profitability. The Group applied stringent controls on costs and expenses and adhered to its effective "Step Up" product strategy, continuing to enhance operational performance. During the year, gross profit increased by 2% year-on-year to HK$6,032 million, with gross profit margin increasing to 21.1%, compared to 19.3% in 2014. The Group's operating expenses (including research and development ("R&D") costs, selling and distribution costs and administrative expenses) were HK$5,371 million, representing an operating expenses ratio of 18.8%. A lean, efficient organisational structure allowed the Group to respond to market changes in a timely manner, and to maintain its profitability at a healthy and stable level. Net profit decreased by 5% year-on-year to HK$1,057 million, while net profit margin was 3.7%. Basic earnings per share decreased to

PLUS 10

84.60 HK cents from 91.58 HK cents in the previous year. The Board has recommended payment of a final dividend of 21.0 HK cents per ordinary share, which together with the interim dividend of 12.8 HK cents, represents a dividend payout ratio of 40%.

The Group continued to adhere to its "Internet +" vision as a driver of change. With the combination of internationalisation and the "Double +" business transformation strategy, the Group applied "Intelligence + Internet" to its products and developed the new "Product + Service" business model. The result was the formation of an integrated, one-stop product and service platform, positioning the Group to be a global leader both as a manufacturer of smart devices and internet application service provider.

Performance of Product Segments

During the year, the Group focused on product design and portfolio enhancement, launching a number of smart devices and software which were widely recognised by the market.

1 Product Business

1.1 Handsets

In 2015, with the increased construction of new 3G and 4G networks worldwide, growth momentum of handset businesses shifted to emerging markets. Cost-competitive entry-level smartphones also sped up the pace of replacement of feature phones, driving local demand for smart devices.

During the year, the sales volume of the Group's smartphones increased by 2% year-on-year to 40.1 million units. According to telecommunications research firm Gartner and company data, the Group ranked no. 5 among global handset manufacturers in 2015 and was no. 1 among Chinese brands in overseas markets. The Group also ranked no. 8 among global smartphone manufacturers.

For smartphones, the flagship product **alcatel IDOL 3** not only possesses an eye-recognition function, but also supports upside-down calling. Thanks to its optimised user experience, functionality, design and pricing, it received great attention from the market and was awarded top honours from influential websites, including *Android Authority*, *Android Central, Know Your Mobile and Mashable*. In late 2015, it also received a "GOOD DESIGN Award" from *The Chicago Athenaeum: Museum of Architecture and Design*.

The **alcatel GO PLAY** handset, part of the brand new **GO** series, is certified shockproof, waterproof and dustproof to IP67 grading, and is convenient for outdoor activities. Meanwhile, the Group's first smartphone customised for open-channel markets, **alcatel POP STAR** was awarded the "Top Picks from IFA 2015" accolade on the popular consumer electronics website *Android Central* for its cost competitiveness and wide variety of removable back covers.

With the aim of capturing the younger consumer market, the Group launched the "**Joy**" series. Firstly, the Group partnered with China Telecom and MediaTek to launch the first product equipped with MediaTek's CDMA2000 technology-compatible 4G 64-bit SOC chip: the 4G smartphone **TCL P588L (Joy)**. Further, the Group and China Telecom launched a new generation smart product, **TCL P590L (Joy 2C)**, which offers another option for entry-level smartphone users with its fingerprint recognition and infrared remote controller.

Business Review (continued)

Performance of Product Segments (continued)

1 Product Business (continued)

1.2 Tablets, BigPad and Wearable Devices

Blurring market boundaries between notebooks and tablets, the increasing popularity of online education, and closer partnerships between operators and online content providers, have all led to today's continuing growth in demand for tablets. Gartner predicts that demand for tablets will continue to grow in the next three years, with approximately 60% of the users in mature markets possessing more than 3 screen-based personal devices per person in 2018.

In 2015, the Group's sales volume of tablets increased by 122% year-on-year to 4.4 million units. According to Gartner and company data, the Group ranked no. 7 among global tablet manufacturers in 2015, with sales volume of its tablets outpacing overall market performance.

On the tablets front, the Group's **alcatel POP 10**, is a very price-competitive and lightweight 10-inch IPS display tablet with ultra-narrow frame design.

On the wearable devices side, the Group's **alcatel WATCH**, the world's first smart wearable device supporting both Android and iOS operating systems, has been feted with a slew of awards since its launch, including "Top Pick of CES" from *Tom's Guide*, "Best Smartwatches of CES 2015" from *GSMArena*, and the internationally prestigious "iF Design Award". During the 3rd quarter of 2015, the Group launched its second Android and iOS smartwatch, **alcatel GO WATCH**. On top of being shockproof, waterproof and dustproof, it also offers real-time online status sharing, providing sports monitoring, alarm functions and emotion detection through in-built sensors.

1.3 Research and Development

The Group continues to improve its R&D capabilities to enhance the technology of its smart devices. During the 1st quarter of the year, the Group partnered with leading French chipmaker Sequans Communications to establish a 5G research lab in France, to collaborate on the development of the next-generation of wireless technologies with the aim of accelerating the development of 5G telecommunications and enhancing the Group's competitiveness. The Group's self-owned office building, TCL Communication Technology Tower in Xili, Shenzhen, officially opened and commenced operations in the 3rd quarter of the year, optimising the Group's R&D capability.

IDOL 4 Series

2 Services Business

In the wake of hastened internet development, the web-based internet application has been replaced by application service systems, redefining the traditional business model. According to the China Internet Network Information Centre (CNNIC)'s Statistical Report on Internet Development in China, by the end of December 2015, the internet population in China reached 688 million, of which the number of mobile internet users was 620 million. This represents a jump to 90% of people using handsets to go online. Gartner expected the compound annual growth rate (CAGR) of spending on mobile applications to reach around 20% in the coming five years. Adhering to its "Internet +" strategy, the Group achieved the integration of internet and hardware by utilising internet platform and information communication technology to promote transformation in various industry sectors, and actively encouraged a further upgrade for applications.

2.1 Cloud Services

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

"**Sky-tech WebEx**", the first product, was officially launched in September 2015. Its stability and user experience has been greatly enhanced following the opening of a self-constructed world-class data centre for Sky-tech Cloud in Beijing. Orders placed by small and medium-sized enterprises, state-owned enterprises and the government have gradually been completed, laying a solid foundation for the future development of Sky-tech Cloud.

Business Review (continued)

Performance of Product Segments (continued)

2 Services Business (continued)

2.2 Mobile Internet Application Platforms

As of 31 December 2015, the number of cumulative activated mobile users of the Group's mobile internet platform has grown more than 2 times year-on-year to 23.6 million, while the number of cumulative application downloads amounted to nearly 226.3 million. Building on the UI design and application platform of the Mobile Internet Emerging Business Centre, the Group has consolidated its content and services with third parties to establish a mobile internet ecosystem, as well as to increase downloads per capita through a data-oriented "Operations + Products" operating model.

During the year, the Group enhanced the operations of apps in the UI home screen Onetouch Stream and game modules. It also introduced new content in the Application Centre, increased usage through various channels and plans to pull in advertisements from third parties. The Mobile Internet Emerging Business Centre actively builds platforms for app developers and has successfully launched a number of innovative applications.

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

As of 31 December 2015, the online financial service platform (third-party mobile payment gateway), which was jointly developed by the Group and TCL Corp., recognised a settlement amount of HK$3.6 billion, increased almost 1.5 times year-on-year with over 1,500 internet-connected business users.

Leveraging the advantages of the Group and TCL Corp.'s product technology and client resources, the third-party mobile payment gateway provides a platform for the innovative "Hardware + Payment" industry model. Through integrating Big Data and financial payment, and focusing on mobile payment, internet payment, point of sales (POS) payment and related areas, it is able to offer a customised, in-depth business strategy for users in fields such as digital entertainment, e-commerce and O2O application. Comprehensive payment solutions can be offered by targeting the operational characteristics of various enterprises. During the year, the Group established strategic partnerships with various major players in the internet industries, such as Hithink RoyalFlush, Guangzhou KuGou and Guangzhou Huaduo, and was active in introducing competitive, innovative payment products and financial services.

2.4 TCL Smart Home

TCL Smart Home Technologies Co., Limited (a joint venture between TCL Corp., the Group and TCL Multimedia Technology Holdings Limited (a fellow subsidiary of the Company), the "TCL Smart Home") is positioned to provide smart solutions for TCL Corp.'s products. During the year, it launched **TCL Smart Cloud, TCL Smart Module** and **Super APP**, which demonstrated the success of TCL Smart Home System in building a connection between products and cloud services. TCL Smart Home has launched diversified intelligent solutions and actively cooperated with third-party hardware manufacturers, platform service providers and content providers to offer social and entertainment functions for smart devices. Thanks to its data analysis platform, TCL Smart Home is also able to provide customised products and services, and offer integrated management for users' applications, interactions and sharing needs.

TCL Smart Home will develop a standard for its facilities by enhancing the connectivity standard of common modules and agreement among facilities, and strengthen strategic partnerships with third-party hardware manufacturers and platform providers to establish interaction between products, services and users.

In addition, the Group established the BigPad Business Centre during the year and introduced its first 17.3 inch BigPad, **Xess**. The Group is committed to building a new home living model and providing a visual content platform by compiling content for enjoyable cooking, family interaction, children's education and household entertainment. It was awarded the "China Good Design" award organised by the Red Dot Institution, gaining recognition from the industry.

Regional Business Performance

During the year, in order to better align markets in different locations, the Group restructured its business regions, changing from 4 into 6 major areas: North America, Latin America, Europe, Middle East and Africa ("MEA"), Asia Pacific ("APAC") and China.

Revenue of handsets and other products	**For the year ended 31 December**		
(HK$ Million)	**2015**	2014	Change (%)
North America	**6,689**	5,793	+15%
Latin America	**8,975**	10,076	–11%
Europe	**7,247**	6,796	+7%
MEA	**2,959**	2,936	+1%
APAC	**884**	2,200	–60%
China	**1,804**	2,890	–38%
Total	**28,558**	30,691	–7%
Including smart devices	**25,349**	25,991	–2%

Business Review (continued)

Regional Business Performance (continued)

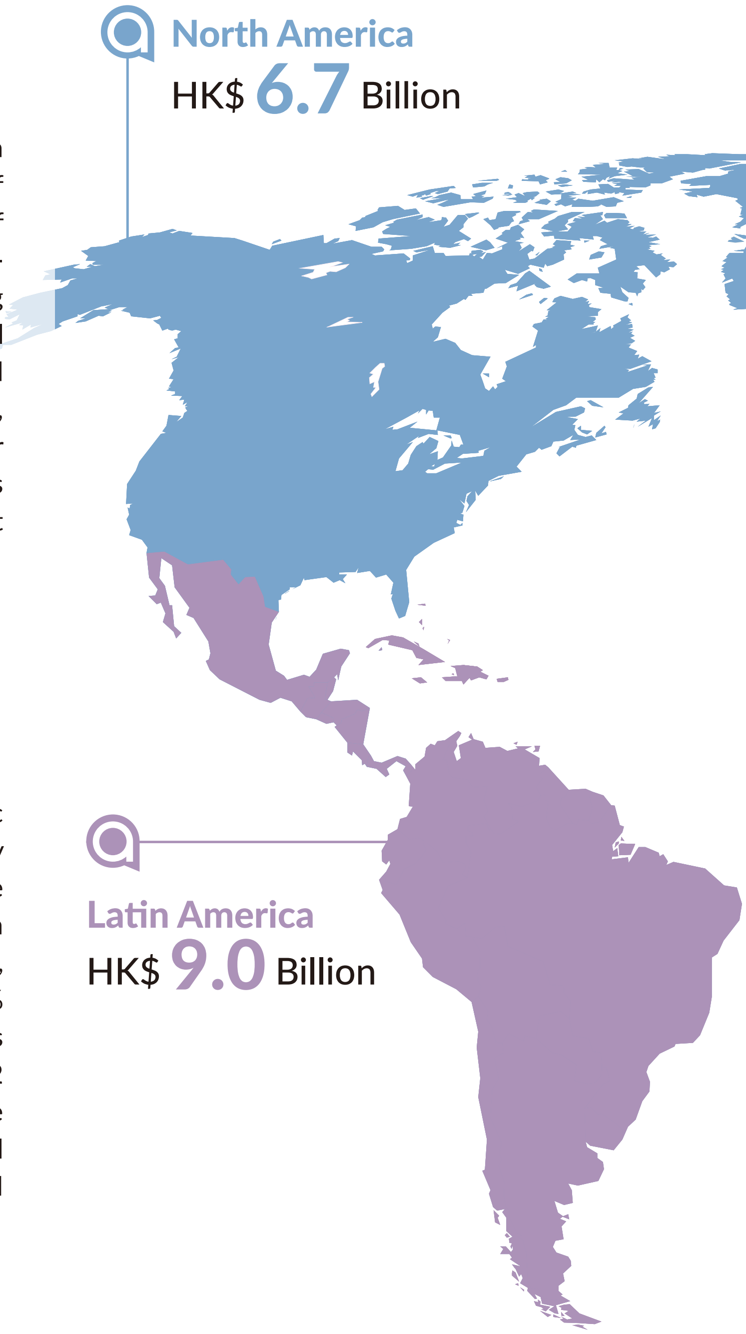
1 North America

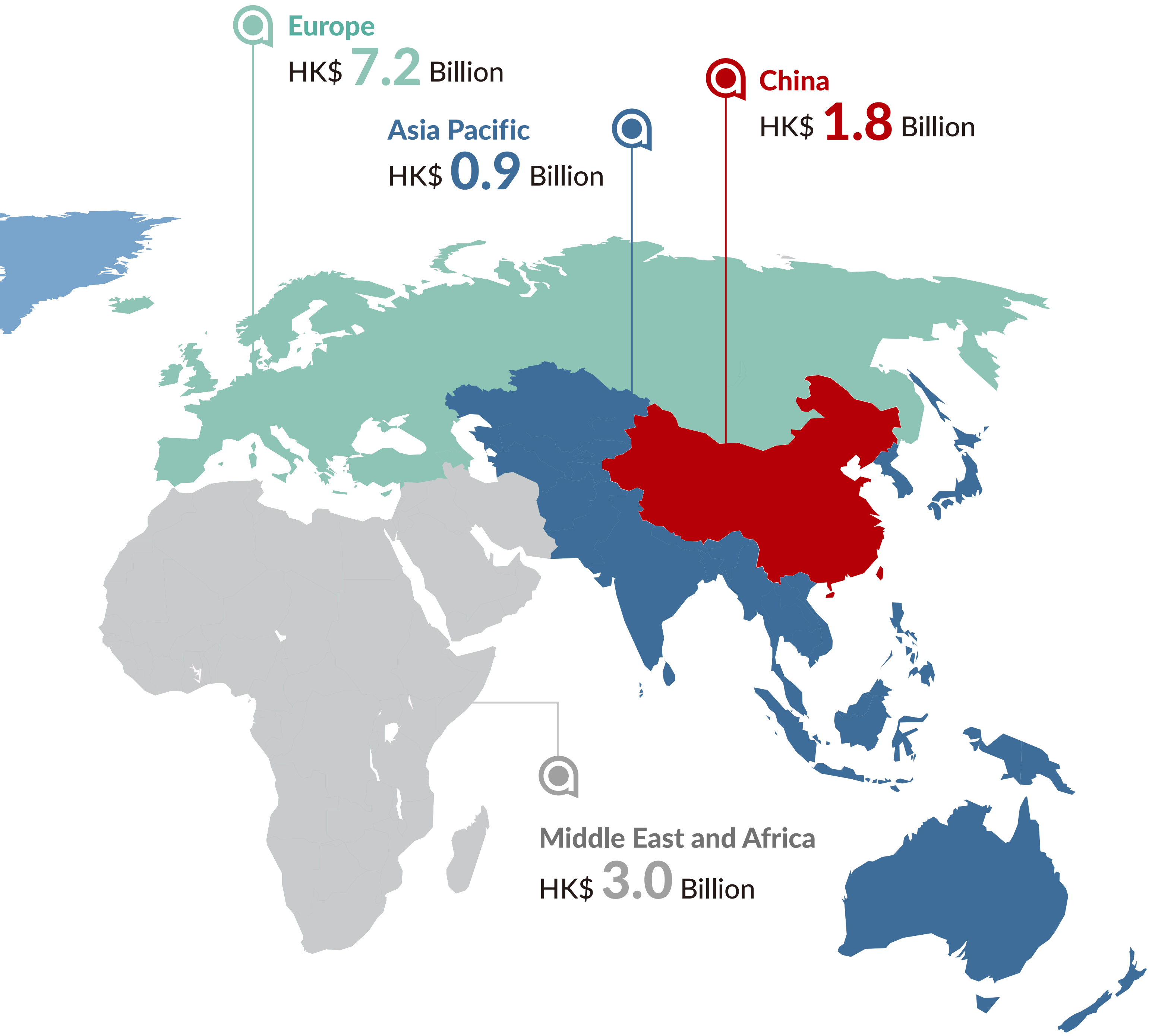
During the year, the Group's business in North America benefited from the operation channel expansion of first-tier operators, which saw the sales volume of handsets and other devices increase by 73% year-on-year to 14.5 million units, with smart devices increasing by 16% year-on-year to 6.7 million units. Based on total sales volume in the 4th quarter of 2015, **alcatel** ranked no. 5 in the North America region. In the coming year, the Group will continue to work closely with major operators to strengthen its online channel, improve its sales of 4G products and continue to increase market share in the region.

2 Latin America

Demand for products weakened due to the economic slowdown in Latin America, coupled with currency devaluations. During the year, the sales volume of handsets and other products in Latin America decreased by 7% year-on-year to 26.4 million units, though sales volume of smart devices increased by 14% year-on-year to 16.2 million units. Based on total sales volume in the 4th quarter of 2015, **alcatel** ranked no. 2 in the Latin America region. The Group will continue to enhance its product mix and increase operational efficiency to facilitate business development and achieve long-term growth.

Geographical Breakdown of Revenue




Europe
HK$ 7.2 Billion
China
HK$ 1.8 Billion
Asia Pacific
HK$ 0.9 Billion
Middle East and Africa
HK$ 3.0 Billion

Business Review (continued)

Regional Business Performance (continued)

3 Europe

During the year under review, a debt crisis affected economic recovery in Europe. Although competition within the region became fiercer, the Group's sales volume of handsets and other devices increased by 39% year-on-year to 21.1 million units in Europe, while smart devices increased by 33% year-on-year to 11.1 million units. Based on total sales volume in the 4th quarter of 2015, **alcatel** ranked no. 4 in the European region. In the coming year, the Group will grasp the opportunities brought on by the popularity of 4G networks, to improve its product portfolio. At the same time, it will implement stringent controls on currency risks to maintain market share in the region.

4 Middle East and Africa

Demand for smartphones in the Middle East and Africa (the "MEA") continued to grow and boosted the Group's sales in the region. During the year, the sales volume of handsets and other devices in the MEA region increased by 7% year-on-year to 10.1 million units, with smart devices increasing by 18% year-on-year to 6.0 million units. Based on total sales volume in the 4th quarter of 2015, **alcatel** ranked no. 4 in the MEA region. The Group will increase the ratio of open channels, enhance its organisational structure, explore opportunities in new emerging markets and gradually expand its mid to high-end level product line to attain greater market share in the region.

5 Asia Pacific

During the year, competition in Asia Pacific (the "APAC") intensified further, coupled with fluctuation of currency exchange rates. Sales volume of handsets and other products was down 52% year-on-year to 2.1 million units, within which sales volume of smart devices decreased by 55% year-on-year to 1.4 million units. The Group will actively adjust its sales channels and product portfolio to promote online-offline operational integration. It will also undergo transformation to increase sales from e-commerce channels. The Group anticipates a breakthrough in the APAC region.

6 China

With the Chinese handsets market maturing, the result is a slowdown in demand for new devices. During the year, sales volume of handsets and other products in China dropped 24% year-on-year to 5.8 million units. Sales volume of smart devices was down 37% year-on-year to 3.1 million units. The Group will maintain its competitiveness in entry-level products, and speed up its development in open channels in order to achieve business breakthrough in the mid-range to high-end product market.

Marketing and Brand Building

During the year, the Group participated in various major global exhibitions, including *CES* in Las Vegas, USA; *MWC* in Barcelona, Spain and *IFA Berlin* in Germany, for its market position enhancement and brand building. A number of the Group's new products were launched at the exhibitions and received several awards.

The Group has actively devised marketing plans in conjunction with regional operators. For instance, it partnered with China Telecom to launch a price-competitive 4G handset, **Unlocked TCL P606L**, as well as "Tianyi Taobao Handset" **TCL P516L, TCL P520L** and the **TCL "Joy**" series. The two also teamed up to advertise on the large screen in New York's Times Square to support the launch of the "Tianyi 4G+" brand and promote the **TCL** "**Joy 2**" series. Additionally, the Group's smartphone products were acquired by the first strategic 4G smartphone joint procurement project of China Telecom and Telefónica, due to their quality and price competitiveness. This further expanded the Group's global mobile communication market.

The Group's efforts and achievements in product development, channel partnerships and customer services are highly regarded by its partners. In 2015, the Group received the "2014 Outstanding Channel Partner of China Telecom Award", "2014 China Telecom Best Innovative Mobile Award" and "2014 China Telecom Most Popular Smartphone Award" at the China Telecom Terminal Value Chain Annual Conference. This showed the significantly enhanced cooperation between the Group and China Telecom.

Regarding overseas market development, the Group continued to participate in various marketing, promotion and brand-building events using its **alcatel** brand, including *The Colour Run 2015* sponsorship in North America, *Australian National Basketball League (NBL) 2015-2016 season* sponsorship, and sponsorship of the Mexican racing team *Tame* to participate in the *2015 National Association for Stock Car Auto Racing (NASCAR) Mexico Series*. Following the cooperation agreement with *Toronto FC*, the Group also becomes the official smartphone and tablet partner of *LA Galaxy* and the official smartphone partner of *New York City Football Club (NYCFC)*. After the implementation of these agreements, **alcatel**'s brand influence was greatly enhanced in those regions and further strengthened its competitiveness.

Outlook

With their economic and geopolitical situation remaining in the doldrums, the economic slowdown of emerging markets will continue, which may lead to a sharp drop in the purchasing power of the overall market. Though facing many challenges, the management of the Group believes that 2016 will also be a year of both challenges and opportunities.

The 1st quarter of the year is traditionally the low season for the industry, and with the slowdown in the global mobile phone market, the Group's revenue might record a year-on-year decrease for 1st quarter of 2016; the significantly intensified competition will further exert pressure on product selling prices and gross margins. Aside from this, in order to ensure sustainable development, the Group will continue to invest in product development and brand building, which may result in a rise in expenses/revenue ratios of research and development, and sales and marketing, and accordingly, it may result in significant year-on-year decline in net profit for the 1st quarter. Nevertheless, the Group's management believes that the financial position of the Group remains healthy and is confident in the long-term outlook for the Group. In the 2nd quarter, the Group expects improvement in smart device sales with the new range of smart devices coming on stream.

The Group will continue to maintain efficient credit controls and currency hedging policies. The Group will also further enhance its four core competencies in product technology, industry (including system management), branding and globalisation, and internet application services. This forms the new "Products + Services" business model, based on principles of encompassing innovative breakthroughs, open cooperation, reorganisation and consolidation. Its aim is to unleash the potential for future business growth. The Group will gradually build up the eco-chain, upstream and downstream, for "Products + Services" via software penetration. Meanwhile, the Group will further broaden its mobile internet user base through strategic collaboration with different operators. This lays a foundation for the establishment of a smart ecosystem anchored on "Smart devices + Cloud-based platform + Internet services" in response to market challenges and to maintain a healthy balance between sales and operation, thereby maximising shareholders' value.

Financial Review

Results

For the year ended 31 December 2015, the Group's audited consolidated revenue amounted to HK$28,558 million (2014: HK$30,691 million), representing a y-o-y decrease of 7% as compared to that of last year.

The Group's gross profit margin increased to 21.1% from 19.3% in last year.

EBITDA and profit attributable to owners of the parent were HK$1,513 million (2014: HK$1,417 million) and HK$1,057 million (2014: HK$1,093 million) respectively. Basic earnings per share were 84.60 HK cents (2014: 91.58 HK cents).

Inventory

The Group's inventory (including factory inventory only) turnover period was 26 days (2014: 37 days) for the year under review.

Trade Receivables

Credit period ranged from 30 to 180 days on average and the trade receivable (excluding factored trade receivables) turnover period was 89 days (2014: 72 days) for the year under review.

Significant Investments and Acquisitions

The Group has the following significant investments during the year and up to the date of this announcement:

On 21 May 2015, Shenzhen TCL Cloud Technology Co Ltd ("Shenzhen TCL Cloud", a wholly-owned subsidiary of the Company) entered into a club membership acquisition agreement with Shenzhen TCL Optoelectronics Tech Co. Ltd ("Shenzhen TCL Optoelectronics", a fellow subsidiary of the Company), to acquire club membership interests at a total consideration of RMB284,526,000 (equivalent to HK$347,500,000) from Shenzhen TCL Optoelectronics. During the year, the amount paid under the club membership acquisition agreement was RMB160,046,000 (equivalent to HK$198,921,000). The remaining consideration of RMB124,480,000 (equivalent to HK$148,579,000) will be paid in form of cash in monthly instalments from January 2016 to September 2017.

Fund Raising

There had been no fund raising during the year ended 31 December 2015 and up to the date of this announcement.

Liquidity and Financial Resources

The Group maintained a healthy liquidity position during the year under review. The Group's principal financial instruments comprise cash and cash equivalents, pledged deposits, interest-bearing bank borrowings and bank advances on factored trade receivables. The cash and cash equivalents balance as at 31 December 2015 amounted to HK$566 million, of which 35% were in RMB, 44% in United States dollars, 8% in Euro and 13% in Hong Kong dollars and other currencies for the operations. The Group's total interest-bearing borrowings as at 31 December 2015 were HK$3,253 million, in which the interest-bearing bank borrowings were HK$2,982 million and bank advances on factored trade receivables were HK$271 million. The Group's financial position remained healthy with equity attributable to owners of the parent of HK$3,953 million as at 31 December 2015 (31 December 2014: HK$4,089 million). The Group had a gearing ratio of 20% as at the end of the year under review (31 December 2014: 22%). The gearing ratio is calculated based on the Group's total interest-bearing borrowings over total assets.

Pledged Deposits

Deposit balance of HK$1,028 million (31 December 2014: HK$1,914 million) represented the pledged deposit for interest-bearing bank borrowings, banking facilities and other financial instruments of HK$995 million (31 December 2014: HK$1,858 million) and retention guarantee for factored trade receivables of HK$33 million (31 December 2014: HK$56 million).

Capital Commitments and Contingent Liabilities

As at 31 December, the capital commitments were as follows:

	2015 HK$'000	2014 HK$'000
Contracted, but not provided for:		
Property, plant and equipment	**4,528**	7,103
Capital contributions payable to an associate	**77,508**	77,576
Capital contributions payable to a joint venture	**28,646**	45,641
	110,682	130,320

The Group had no significant contingent liabilities as at 31 December 2015 (31 December 2014: Nil).

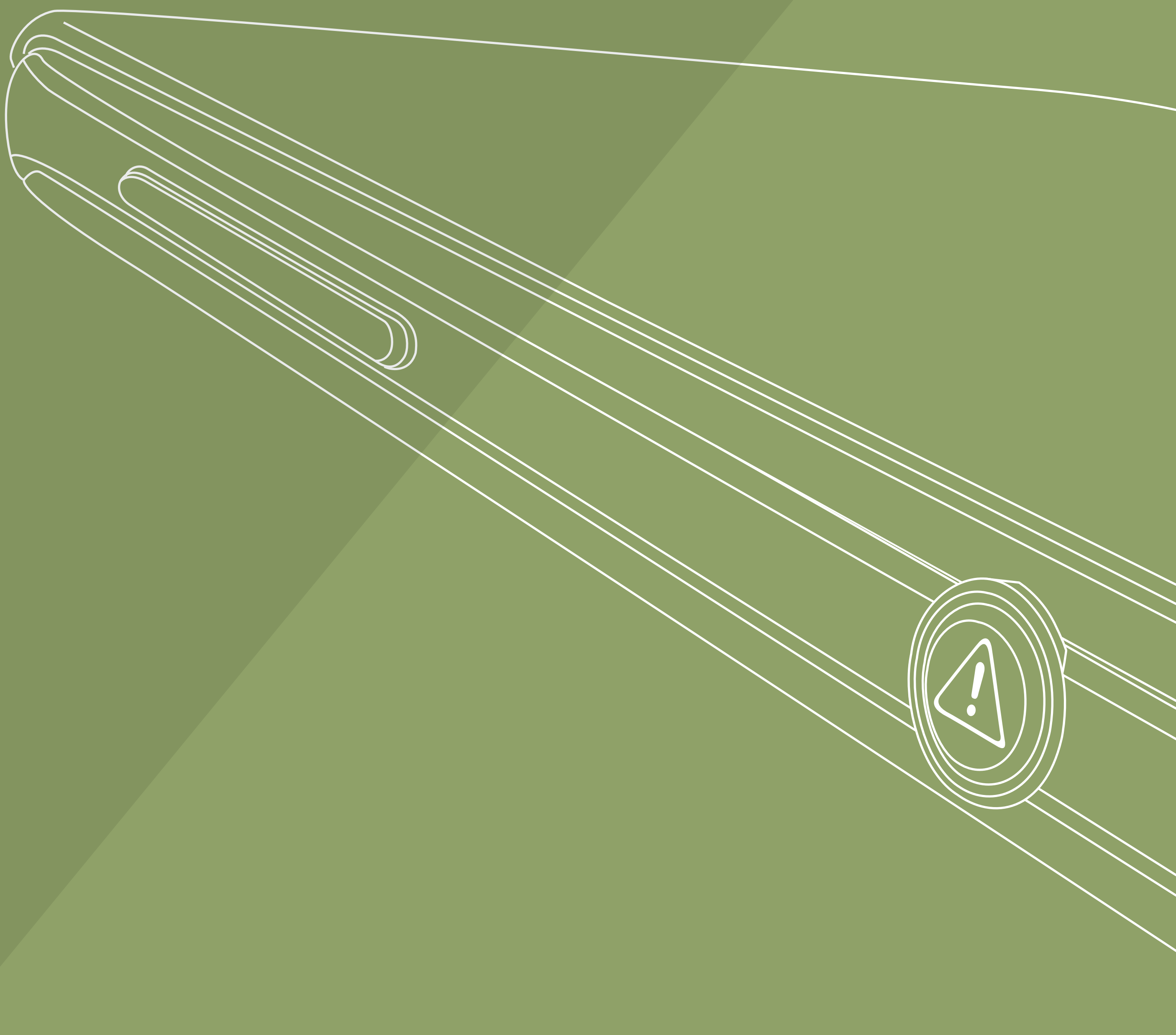
Foreign Exchange Exposure

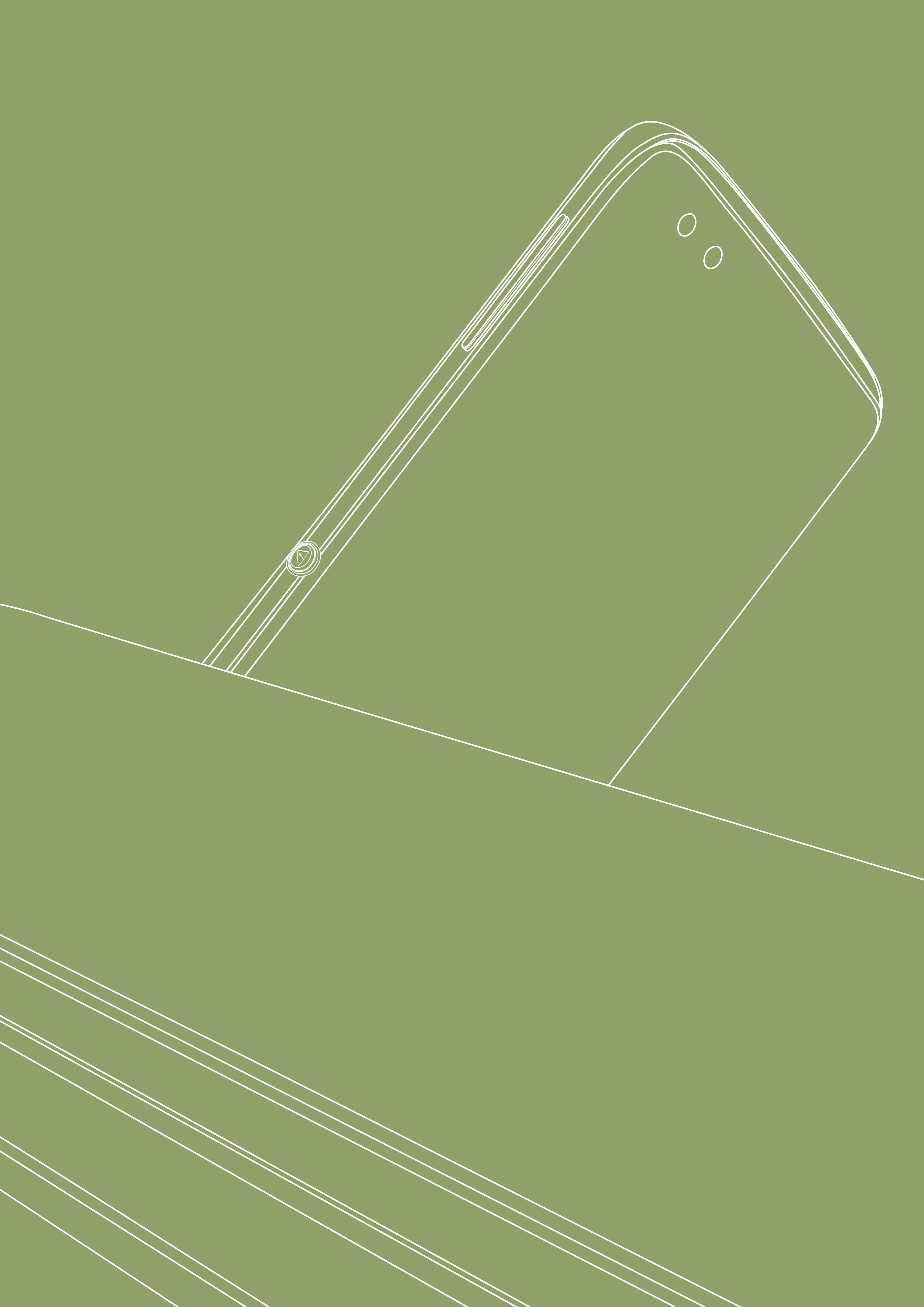
The Group has transactional currency exposures. These exposures arise from sales or purchases by operating units in currencies other than the units' functional currency. The Group tends to accept foreign currency exchange risk avoidance or allocation terms when arriving at purchase and sales contracts. The Group takes rolling forecast on foreign currency revenue and expenses, matches the currency and amount incurred, so as to alleviate the impact to business due to exchange rate fluctuation. In line with the aim of prudent financial management, the Group does not engage in any high risk derivative trading or leveraged foreign exchange contracts.

Employees and Remuneration Policy

The Group had over 12,900 employees as at 31 December 2015. Total staff costs for the year under review were HK$2,303 million (2014: HK$2,185 million). The remuneration policy was reviewed in accordance with current legislation, market conditions and both individual and company performance.

DIRECTORS, SENIOR MANAGEMENT AND EXECUTIVES





Directors, Senior Management and Executives

Executive Directors

Mr. LI Dongsheng

aged 58, is the chairman of the board and an executive director of the Company. Mr. LI is also the chairman of the board, an executive director, the chief executive officer and founder of TCL Corporation ("TCL Corp.") and the chairman of the board and an executive director of TCL Multimedia Technology Holdings Limited ("TCL Multimedia", 1070.HK). He is one of the most recognized business leaders in China.

In 1982, Mr. LI as an engineer's identity began his career in TTK Home Electronic Appliances Co. Ltd, the predecessor of TCL. In 1985, he was appointed as general manager of the newly established Telephone Communication Limited. In 2003, Mr. LI was appointed as the chairman and chief executive officer of TCL Corp., which was listed on the Shenzhen Stock Exchange afterwards. Under his leadership, TCL Corp. accomplished two landmark acquisitions: Thomson's worldwide television business and **alcatel**'s worldwide mobile phone business both in 2004. Now TCL Corp. has become a multinational enterprise with approximately 74,000 employees in 80 countries and areas. In the fourth quarter of 2014, TCL ranked No. 4 globally in terms of LCD TV and TCL handset market share. In 2014, the operating income of TCL Corp. was over RMB100 billion for the first time.

In 2014, Mr. LI was rated as the "Most Popular Economic Figure in China" by China Business Journal. In 2013, Mr. LI was awarded as the "Best CEOs of Chinese Listed Companies" by Forbes magazine. Mr. LI was also awarded the "Most Socially Responsible Entrepreneur" by XinhuaNet in 2012; the "Life Achievement Award of Top 25 Influential Business Leaders" from China Entrepreneur magazine in 2011; "Business Leader of the Decade" by CCTV Economy Channel in 2009; "Economic Figure" in 30 years' reform and opening up in 2008. In 2004, he was also named "Asia Businessman of the Year" by Fortune magazine and "Top 25 Global Business Leaders" by Time magazine and CNN. Mr. LI received OFFICIER DE LA LEGION D'HONEUR (French national honor) from former President of France, Mr. Jacques Chirac in the same year.

Mr. LI has been elected as "National Model Worker" and was the winner of "May 1 Labor Medal". He was also elected as a representative of the 16th National Congress of Communist Party of China, and served as a representative of the 10th, 11th, and 12th National People's Congress. Mr. LI also holds a number of prestigious positions including chairman of China Electronic Imaging Industry Association, vice chairman of China Chamber of International Commerce, executive committee member of the All–China Federation of Industry & Commerce, member of National Advisory Committee on IC Industry Development, vice chairman of Guangdong Federation of Industry & Commerce, chairman of Guangdong Household Electrical Appliances Chamber of Commerce and chairman of Shenzhen Flat Panel Display Industry Association.

Mr. LI is also an independent non-executive director of Tencent Holdings Limited (700.HK) and a non-executive director of Fantasia Holdings Group Co., Limited (1777.HK), both of which are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and an independent director of Legrand, which is listed on NYSE Euronext.

Mr. LI graduated from South China University of Technology with a bachelor degree in radio technology.

Executive Directors

Mr. GUO Aiping

aged 52, is the chief executive officer and an executive director of the Company. Mr. GUO joined the Group in July 2001 and was appointed successively as the chief operating officer, vice president, senior vice president and president of the Company. Mr. GUO is currently an executive director and a senior vice president of TCL Corp.. He was also a vice president of TCL Corp.. He has extensive experience in overall management of multinational companies, strategic planning and development, and mergers and acquisitions in the worldwide wireless industry. Prior to joining TCL Corp., Mr. GUO was a manager in SB Global, project coordinator in IBM, senior business consultant in Arthur Andersen and chief technology officer in Zhaodaola Internet Company. He graduated from Stanford University with a Ph.D. degree in Management Science and Engineering and a master degree in Engineering Economics and System.

Mr. WANG Jiyang

aged 45, is an executive director of the Company and holds management positions in certain subsidiaries of the Company. Mr. WANG is also a vice president of TCL Corp.. He has over 22 years of experience in R&D management, operation management and sales & marketing management in electronics industry. Mr. WANG joined the Group firstly in March 2001, and took the positions of engineer, project manager, deputy chief technology officer, general manager of development centre and senior vice president of R&D, chief operating officer and president of China region of the Company. Mr. WANG graduated from the University of Electronic Science and Technology of China with a Ph.D. degree in Electrocircuit & Systems. He also holds an MBA degree from China Europe International Business School.

Mr. Nicolas Daniel Bernard ZIBELL

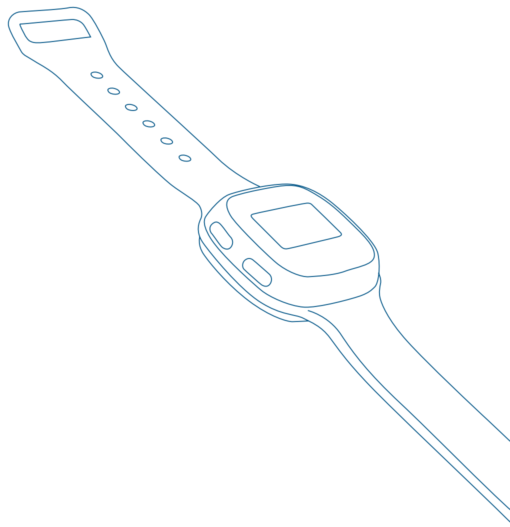
aged 48, is an executive director (appointed on 15 July 2015) and also holds the positions of the president and general manager of international business of the Company, and is responsible for overseeing the **alcatel** business throughout the North America, Latin America, Europe, the Middle East and Africa and Asia Pacific. He also holds management positions and directorships in certain subsidiaries of the Company. Mr. ZIBELL joined the Company in 2004, and used to serve as a senior vice president of the Company. He has been serving as a vice president of TCL Corp. since August 2015. Mr. ZIBELL has over 24 years of experiences in sales, marketing, product strategy and supply chain in the automotive and telecommunications industries in both Europe and the Americas. He graduated from École Superieure de Commerce de Lyon and ESADE Business School with a master degree in 1990.

Mr. HUANG Xubin

aged 50, is a non-executive director and a member of the audit committee of the Company. Mr. HUANG is also an executive director, chief financial officer and a member of the executive committee of TCL Corp. and a non-executive director and a member of the audit committee of TCL Multimedia. Mr. HUANG joined TCL Corp. in March 2001 and served as an officer of the financial settlement centre of TCL Corp., the chief economist, financial director and vice president of TCL Corp., and general manager of TCL Finance Company Limited ("Finance Company"). Currently he is also the chairman of Finance Company and TCL Financial Holdings Group Co. Ltd., a director of Huizhou TCL Household Appliance Group Co. Ltd, Shenzhen TCL Real Estate Co. Ltd. and Highly Information Industry Co., Ltd., and a non-executive director of Bank of Shanghai Co., Ltd.. Before joining TCL Corp., Mr. HUANG served as head of the credit facilities department of the China Construction Bank, Guangdong Branch, and the deputy manager and manager of the fund management division and securities division of Guotai Junan Securities Co. Ltd., Guangzhou Branch. Mr. HUANG is a senior economist, graduated from Hunan University, and obtained a master degree in Economics at the Research Institute for Fiscal Science, Ministry of Finance, the PRC, and holds an EMBA degree from China Europe International Business School.

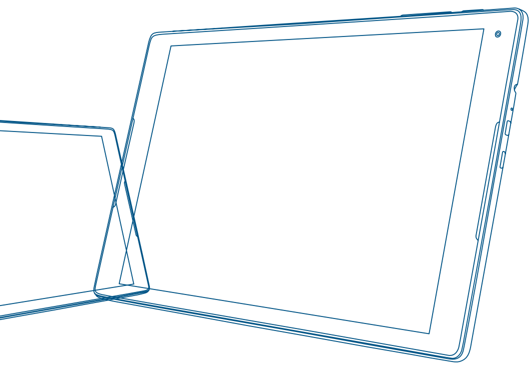
Mr. LIAO Qian

aged 35, is a non-executive director of the Company, a member of nomination committee and remuneration committee of the Company (all appointed on 21 May 2015). He is also the secretary of the board of directors of TCL Corp. since April 2014, a member of the executive committee of TCL Corp. since December 2014, and a director of Golive Movies Limited, a non-wholly owned subsidiary of TCL Corp. since April 2015. Mr. LIAO joined TCL Corp. in March 2014, and served as the chief officer of the office of the board thereof. Prior to joining TCL Corp., Mr. LIAO served as a senior manager and general manager of the financial advisory department of Guotai Junan Securities (Hong Kong), and the head of the institutional department of Shenzhen headquarters, in Guotai Junan Securities Co. Ltd and had engaged in investment banking business in the capital market of the PRC and Hong Kong. Mr. LIAO graduated from Fuzhou University with a bachelor degree of economics in 2002, and Yunnan University with a master degree of laws in 2006. Mr. LIAO Qian also holds a Chinese legal professional qualification certificate.



Mr. LAU Siu Ki

aged 57, is an independent non-executive director, the chairman of audit committee and remuneration committee, and a member of nomination committee of the Company. Mr. LAU joined the Company in 2004 and save for his directorship in the Company, he does not hold any directorship in any member of the Group. Mr. LAU is a fellow member of both the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the Association of Chartered Certified Accountants (the "ACCA"). He has over 30 years' experience in corporate finance, financial advisory and management, accounting and auditing and had worked for an international accounting firm for over 15 years. Mr. LAU was a member of the ACCA Worldwide Council from May 2002 to September 2011, and the chairman of the Hong Kong branch of ACCA in 2000/2001. He is also a consultant in the financial advisory field. Besides, he is an independent non-executive director of China Medical & HealthCare Group Limited (383.HK), Comba Telecom Systems Holdings Limited (2342.HK), FIH Mobile Limited (2038.HK), Samson Holding Ltd. (531.HK), Embry Holdings Limited (1388.HK) and Binhai Investment Company Limited (2886.HK), an independent supervisor of Beijing Capital International Airport Co. Ltd. (694.HK), and a company secretary of Hung Fook Tong Group Holdings Limited (1446.HK) and Yeebo (International Holdings) Limited (259.HK) all being listed on the Stock Exchange. He was an independent non-executive director of UKF (Holdings) Limited (1468.HK).

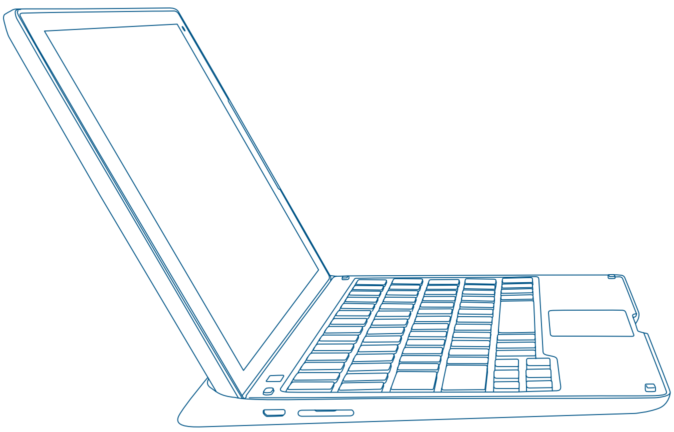


Mr. LOOK Andrew

aged 51, is an independent non-executive director, a member of audit committee, remuneration committee and nomination committee of the Company. Mr. LOOK joined the Company in 2009 and save for his directorship in the Company, he does not hold any directorship in any member of the Group. Mr. LOOK is also an independent non-executive director of Man Sang Jewellery Holdings Limited (1466.HK), Hung Fook Tong Group Holdings Limited (1446.HK), Ka Shui International Holdings Limited (822.HK), CITIC Resources Holdings Limited (1205.HK) and Union Medical Healthcare Limited (2138.HK) all being listed on the Stock Exchange. He has over 21 years' experience in the equity investment analysis of Hong Kong and China stock markets. From 2000 to 2008, Mr. LOOK served in the Union Bank of Switzerland ("UBS") as the head of Hong Kong research, strategy and product. Prior to joining UBS, Mr. LOOK was a regional director of PPM Worldwide, the fund management arm of the Prudential Corporation of the United Kingdom, where he managed pension and life insurance funds investing in Asia ex-Japan markets. Mr. LOOK is currently the chief investment officer and managing director of Look's Asset Management Limited, a Securities and Futures Commission licensed asset management company based in Hong Kong. He holds a bachelor of commerce degree from the University of Toronto.

Mr. KWOK Hoi Sing

aged 65, is an independent non-executive director, the chairman of nomination committee and a member of audit committee and remuneration committee of the Company. Mr. KWOK is also the Chair Professor of the Department of Electronic & Computer Engineering, a Dr. William M W Mong Chair Professor of Nanotechnology, Director of Center for Display Research and Director of the State Key Laboratory on Advanced Displays and Optoelectronics Technologies at the Hong Kong University of Science and Technology ("HKUST"). He joined the Company in 2011 and save for his directorship in the Company, he does not hold any directorship in any member of the Group. He worked at the Lawrence Berkeley Laboratory from 1978 to 1980, taught in the Department of Electrical and Computer Engineering at the State University of NY in Buffalo from 1980 to 1992, and became tenured Full Professor in 1985. He joined HKUST in 1992, researching display technologies and light emitting thin film materials. He was a member of program committees and chairman at many international conferences with various honors including US Presidential Young Investigator Award in 1984, New York State/UUP Excellence Award in 1991 and Slotto-Owaki Award from SID in 2013. He is a fellow of the Optical Society of America, Institute of Electrical and Electronics Engineers and SID. He holds a bachelor of science degree in Electrical Engineering from Northwestern University in the US and MSc and Ph.D. degrees in Applied Physics from Harvard University with over 700 publications in renowned academic journals and more than 75 patents. He published 3 books on display technology in the past 10 years.



Senior Management

Mr. GUO Aiping

aged 52, is the chief executive officer and an executive director of the Company. Mr. GUO joined the Group in July 2001 and was appointed successively as the chief operating officer, vice president, senior vice president and president of the Company. Mr. GUO is currently an executive director and a senior vice president of TCL Corp.. He was also a vice president of TCL Corp.. He has extensive experience in overall management of multinational companies, strategic planning and development, and mergers and acquisitions in the worldwide wireless industry. Prior to joining TCL Corp., Mr. GUO was a manager in SB Global, project coordinator in IBM, senior business consultant in Arthur Andersen and chief technology officer in Zhaodaola Internet Company. He graduated from Stanford University with a Ph.D. degree in Management Science and Engineering and a master degree in Engineering Economics and System.

Mr. YANG Zhe

aged 48, is the chief operating officer (appointed on 4 December 2015) and also holds the position of president of sales & marketing (China) of the Company. He joined the Group in December 2015. Mr. YANG worked in the marketing management field for various multinational corporations during 1991 to 2002. Prior to joining the Group, he was the vice president and chief marketing officer for China region of Huawei Consumer Business Group of Huawei Device Company Limited, and the general manager of marketing department of mobile phones operations of Samsung Electronics (China) Investment Co., Limited and later the senior director of online marketing team of Samsung (China) Investment Company Limited. Mr. YANG graduated from Capital University of Economics and Business with a bachelor's degree in business economics in 1991 and from Rutgers, The State University of New Jersey – Newark with a master's degree in business administration in 2002.

Mr. LIU Yuk Tung, Thomas

aged 53, is the chief financial officer and a senior vice president of the business strategy of the Company, and a director of Finance Company since February 2013. Mr. LIU has about 30 years of experience in auditing, international finance and technology business. Prior to joining the Company, he was the Asia Pacific regional financial controller of Stratus Corporation in US, sales and marketing director and general manager of Neo-Neon Holdings Limited (1868.HK), with extensive auditing experience from working at Arthur Andersen. He is also a Certified Public Accountant of HKICPA, Charted Accountant of ICAEW and fellow of ACCA. Mr. LIU holds a bachelor's degree in Economics from the University of Hong Kong, an MBA from the University of New South Wales, Australia and a master's degree in Accounting from Jinan University, PRC.

Mr. Nicolas Daniel Bernard ZIBELL

aged 48, is an executive director (appointed on 15 July 2015) and also holds the positions of the president and general manager of international business of the Company, and is responsible for overseeing the alcatel business throughout the North America, Latin America, Europe, the Middle East and Africa and Asia Pacific. He also holds management positions and directorships in certain subsidiaries of the Company. Mr. ZIBELL joined the Company in 2004, and used to serve as a senior vice president of the Company. He has been serving as a vice president of TCL Corp. since August 2015. Mr. ZIBELL has over 24 years of experiences in sales, marketing, product strategy and supply chain in the automotive and telecommunications industries in both Europe and the Americas. He graduated from École Superieure de Commerce de Lyon and ESADE Business School with a master degree in 1990.

Mr. WONG Kwok Chung, Albert

aged 44, is an executive vice president and general manager of MIG (Mobile Internet Group) of the Company. Mr. WONG joined the Company in 2005. He has 18 years' experience in the computers and electronics industry in Hong Kong, Canada and Mainland China. Prior to joining the Company, he was a senior software engineer of KEGO Technology Limited, chief information officer of Inmobo Limited, and chief executive officer and chief operating officer of JCT Mobile. Mr. WONG graduated from the University of Toronto with a bachelor's degree in Science and obtained his Master's degree in Electrical and Electronics Engineering at the HKUST.

Mr. LYU Xiaobin

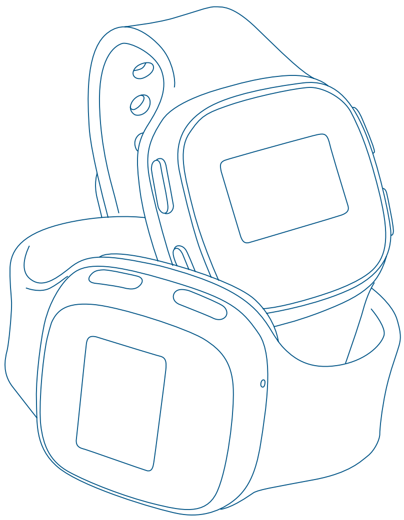
aged 45, is a senior vice president of the Company and the general manager of global manufacturing centre. Mr. LYU joined TCL Communication Equipment Co., Ltd. in July 1993 and joined the Company in March 2002 and holding the positions of department head, factory director, vice general manager of manufacturing centre, production director and vice president of the company successively. Mr. LYU has 22 years' experience in the communication terminal manufacturing industry, with rich and professional experience and skills in operation management fields including automation planning and development, manufacturing engineering technologies and management, production management, quality management, and supply chain management. He also has 11 years of international experience. Mr. LYU graduated from the University of Electronic Science and Technology of China with a bachelor's degree in Science, majoring in computing, minoring in applied mathematics, and also holds an EMBA degree from the China Europe International Business School.

Mr. Dan DERY

aged 44, is the chief marketing officer and a vice president of global marketing & products of the Company. Mr. DERY has over 16 years of experience in telecom, mobile devices and global consumer market, and served at the director or higher level in the last 10 years. With experience spanning two continents and four of the world's largest electronic brands, he has brought his unique background and expertise in new product creation and marketing strategy to the Company. Since taking up the position, he has actively led the Company to achieve a significant development in the smartphone market. Mr. DERY obtained a master's degree in Advanced Computer Science at the Supélec in France.

Mr. Alain LEJEUNE

aged 52, is a senior vice president and general manager of the worldwide mobile phone division of the Company. He assumed this position in September 2012 after having served in a number of senior management roles in TCL and the Alcatel-Lucent Group. Graduating in 1987 from the École Centrale de Paris, Mr. LEJEUNE has more than 22 years of senior management experience in the telecommunication industry, in multi-cultural organisations, and cross-border merger and acquisition situations.

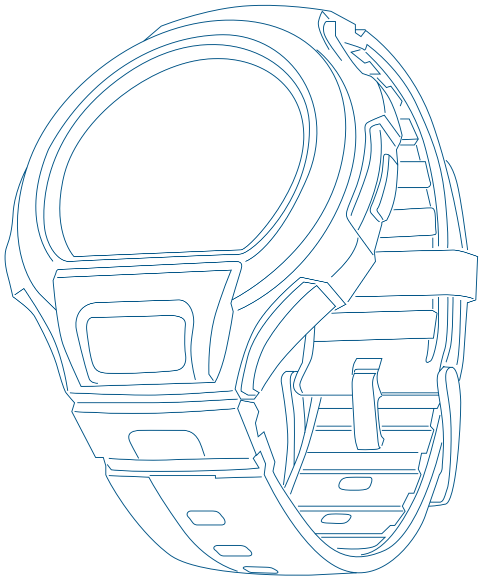


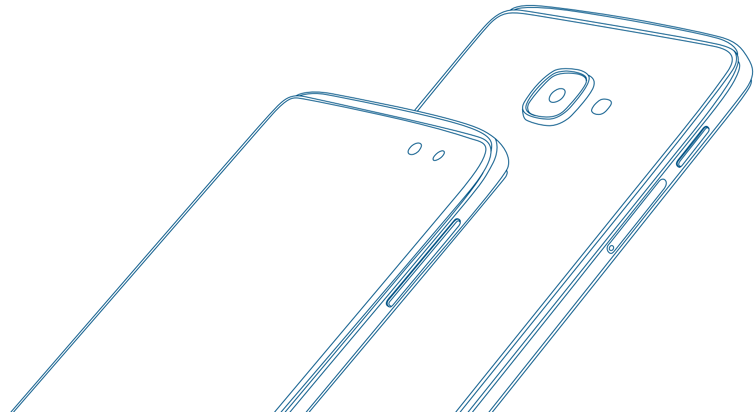
Mr. Vittorio DI MAURO

aged 49, is a vice president of the Company and general manager of the smart connectivity business division. Mr. DI MAURO has been working for the Company for over 12 years as marketing director, business unit director and vice president successively. Prior to joining the Company, Mr. DI MAURO worked as product and marketing manager for the consumer electronics division of Texas Instruments in France, Germany and the U.S. He graduated from the Department of Economics of Bocconi University in Milan in 1992 and attended the Advanced Management Program at INSEAD France in 2002.

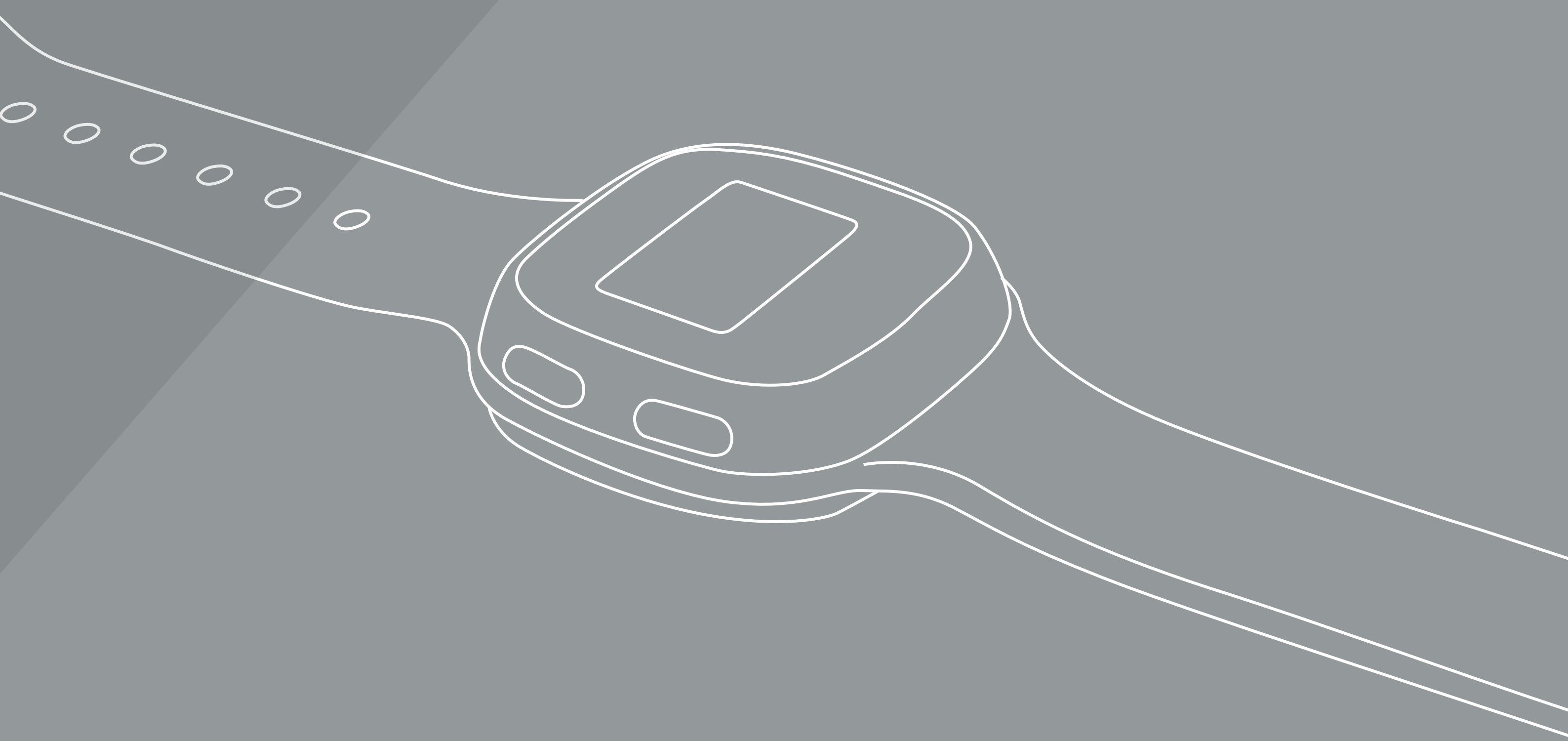
Mr. SONG Bo

aged 51, is an administration vice president of the Company and general manager of global human resources management center. Joined TCL Corp. in July 1993, Mr. SONG once acted as general manager of human resources management center of TCL Corp., human resources director of electrical business division of TCL Corp., general manager of Guangdong Branch and manager of corporate management in TCL Electric Sales Co., Ltd. Before joining TCL Corp., Mr. SONG served as computer application engineer in Xi'an Institute of Technology. Mr. SONG obtained his MBA degree in South China University of Technology.





CORPORATE GOVERNANCE REPORT



Corporate Governance Report

PLUS 10

Introduction

The board of directors of the Company (the "Board") is committed to enhancing the Group's corporate governance standards by improving corporate transparency through effective channels of information disclosure. The Board believes that good corporate governance is beneficial for maintaining close and trustful relations with its employees, business partners, shareholders and investors.

On 13 August 2013, the Company has adopted a corporate governance code prepared based on the code provisions (the "Code Provision(s)") of the Corporate Governance Code (the "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 Code wherever appropriate.

Corporate Governance Practices

Throughout the year ended 31 December 2015, the Company has fully complied with the Code Provisions with the following exceptions.

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

Due to respective pre-arranged business commitments which must be attended to by certain directors of the Company (the "Director(s)"), Mr. HUANG Xubin, Mr. YAN Xiaolin (resigned on 15 July 2015) and Ms. XU Fang (resigned on 21 May 2015), all being non-executive Directors, were not present at the annual general meeting of the Company (the "AGM") held on 28 April 2015; and Mr. HUANG Xubin and Mr. LIAO Qian not present at the extraordinary general meetings of the Company ("the EGM") held on 10 November 2015

Corporate Governance Practices (continued)

and 24 December 2015 whereat resolutions relating to the renewal of certain continuing connected transactions, connected transactions and new specific mandate were considered and passed by the shareholders of the Company (the "Shareholder(s)"). However, Mr. LAU Siu Ki, Mr. LOOK Andrew and Mr. KWOK Hoi Sing, all of whom being independent non-executive Directors, were all present at the said AGM and EGM to ensure an effective communication with the Shareholders thereat.

- *Under Code Provision D.1.4, directors should clearly understand delegation arrangements in place, and the Company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment.*

Except Mr. LI Dongsheng, Mr. Nicolas Daniel Bernard ZIBELL, Mr. YAN Xiaolin (resigned on 15 July 2015), Mr. LIAO Qian and Mr. LAU Siu Ki, the Company has not entered into the formal letters of appointment with Directors as most of them have been serving as Directors for a considerable period of time, a clear understanding of the terms and conditions of their appointments already exists between the Company and the Directors, and so there is no written record of the same. However, all Directors are subject to retirement by rotation at least once every three years in accordance with the memorandum and articles of association of the Company (the "Articles") and Code Provision A.4.2.

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

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.

Directors (continued)

Board Composition

There are currently nine Directors, all being industry veterans, responsible to the Shareholders for formulating the overall business development targets and long-term company strategies, assessing results of management policies and monitoring performance of the management. The Board currently comprises the following Directors:

Executive Directors

Mr. LI Dongsheng (Chairman)
Mr. GUO Aiping (Chief Executive Officer)
Mr. WANG Jiyang
Mr. Nicolas Daniel Bernard ZIBELL
(appointed on 15 July 2015)

Non-executive Directors

Mr. HUANG Xubin
Mr. LIAO Qian (appointed on 21 May 2015)

Independent non-executive Directors

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

An updated list of the Directors is at all times available on the respective websites of the Company 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.

Details of the biographies of the Directors are given under the section "Directors, Senior Management and Executives" of this annual report on pages 30 to 41.

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

The non-executive Directors play an important role on the Board. Accounting for more than half 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 and the Group as a whole. Throughout the year of 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 one-third of the Board.

Directors (continued)

Number of meetings attended/eligible to attend in 2015

During the year ended 31 December 2015, the Board held four regular meetings at about quarterly intervals and five additional meetings. As regards general meetings, the Company held the AGM on 28 April 2015 and the EGM on 10 November 2015 and 24 December 2015 to consider matters regarding the renewal of certain continuing connected transactions, connected transactions and new specific mandate of the Company. Attendance of individual Directors at the Board meetings and general meetings in 2015 is as follows:

	Regular Board meetings	Additional Board meetings concerning special matters requiring the Board's decisions	General meetings
Executive Directors			
Mr. LI Dongsheng	3/4	0/5	1/3
Mr. GUO Aiping	4/4	4/5	2/3
Mr. WANG Jiyang	2/4	3/5	0/3
Mr. Nicolas Daniel Bernard ZIBELL *(appointed on 15 July 2015)*	2/2	0/1	0/2
Non-executive Directors			
Mr. HUANG Xubin	4/4	4/5	0/3
Mr. YAN Xiaolin *(resigned on 15 July 2015)*	2/2	4/4	0/1
Ms. XU Fang *(resigned on 21 May 2015)*	2/2	3/3	0/1
Mr. LIAO Qian *(appointed on 21 May 2015)*	2/2	2/2	0/2
Independent non-executive Directors			
Mr. LAU Siu Ki	3/4	5/5	3/3
Mr. LOOK Andrew	4/4	4/5	3/3
Mr. KWOK Hoi Sing	4/4	5/5	3/3

Directors (continued)

Number of meetings attended/eligible to attend in 2015 (continued)

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

Agenda and Board meeting papers together with all appropriate, complete and reliable information are sent to all Directors in a timely manner, and at least three days before the intended date of each Board or committees meeting, except agreed otherwise among the members, to ensure that they have sufficient time to review the Board meeting papers, adequately prepare for the meeting, are kept 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.

Minutes of all Board meetings and meetings for audit committee, remuneration committee and nomination committee of the Company (the "Audit Committee", the "Remuneration Committee", and the "Nomination Committee" respectively and collectively "Committees") (together with the executive committee of the Company, (the "Executive Committee"), collectively the "Board Committees") are kept by the Company Secretary. All of the above minutes record the discussions and decisions reached by the relevant members in sufficient detail, including the matters considered and any concern raised by Directors or dissenting views expressed. Any Director may inspect the minutes at any reasonable time on a reasonable notice.

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

According to the current Board's practice, any transaction, which involves a conflict of interests between a substantial Shareholder or a Director and the Company, 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 are abstained 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 potential legal action against its Directors and officers arising out of corporate activities.

Chairman and Chief Executive

The Company fully supports the division of responsibility between the chairman of the Board (the "Chairman") and the chief executive officer of the Company (the "Chief Executive Officer") to ensure a balance of power and authority, and has adopted a set of consolidated memorandum of duties setting out its division of responsibilities between the Chairman and the Chief Executive Officer on 24 February 2012. The position of the Chairman is held by Mr. LI Dongsheng while the position of Chief Executive Officer is held by Mr. GUO Aiping during the year ended 31 December 2015. This ensures a clear distinction between the Chairman's duties to manage the Board and the Chief Executive Officer's duties to oversee the overall internal operation of the Company.

The core duties of the Chairman include:

- ensuring with the assistance of the management, that the Directors receive adequate, accurate, clear, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings;
- providing leadership for the Board;
- ensuring that the Board works effectively, performs its responsibilities, discuss all key and appropriate issues in a timely manner, with good corporate governance practices and procedures;
- ensuring that the agenda for each Board meeting are drawn up and approving the same, taking into account matters proposed by other Directors;

Directors (continued)

Chairman and Chief Executive (continued)

- encouraging all Directors to fully and actively contribute to the Board's affairs and express different views and discuss issues in sufficient depth before reaching any consensus in Board decisions;
- facilitating the effective contribution of Directors, in particular, non-executive Directors, and promote the constructive relations between executive and non-executive Directors;
- holding meetings at least annually with the non-executive Directors (including independent non-executive Directors) without the executive Directors present. The Board regarded such meeting as an opinion exchange gathering whereby a broad range of strategic and performance matters were openly discussed; and
- ensuring effective communication between the Board and the Shareholders as a whole through different channels.

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

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, appointment and/or re-appointment of Director(s). Details of the Nomination Committee are set out in the sub-section headed "Nomination Committee" below.

Under article 87 of the Articles, at each AGM, one-third of the Directors for the time being shall retire from office by rotation and every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years while those retiring Directors shall be eligible for re-election. Any Director who has not been subject to retirement by rotation in the three years preceding the AGM shall retire by rotation at such AGM.

Under the Code Provision A.4.1, non-executive Directors should be appointed for a specific term, subject to re-election. Accordingly, they have been appointed for a term of three years, subject to re-election.

In accordance with the said provision of the Articles and the Code Provision A.4.1, in the last AGM held on 28 April 2015, one-third of the Directors (namely Mr. LI Dongsheng, Mr. GUO Aiping and Mr. WANG Jiyang) were subject to retirement by rotation and were re-elected. Mr. LIAO Qian and Mr. Nicolas Daniel Bernard ZIBELL who were appointed to fill a casual vacancy on 21 May 2015 and 15 July 2015 respectively, were subject to election by Shareholders at the first general meeting after appointment, which was held on 10 November 2015, and they were elected thereat. These aforesaid Directors will hold office until conclusion of the AGM to be held in 2018. An executive Director (namely Mr. WANG Jiyang) wishes to retire and not to offer himself for re-election in the forthcoming AGM to be held in 2016. Two independent non-executive Directors (namely Mr. LAU Siu Ki and Mr. LOOK Andrew) were elected to hold office for a specific term until the AGM to be held in 2016. The rest of the Directors, namely Mr. HUANG Xubin, being non-executive Director and Mr. KWOK Hoi Sing, being independent non-executive Director, were elected to hold office for a specific term until the next AGM to be held in 2017.

Independence of 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 their independence and considers all of the independent non-executive Directors to be independent based on the independence criteria in accordance with the requirements in 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 judgment.

Directors (continued)

Independence of independent non-executive Directors (continued)

Mr. LAU Siu Ki has served the Company for about 11 years, since his appointment in April 2004. However, the Company believes that Mr. LAU Siu Ki is still independent. The Company confirms that except Mr. LAU Siu Ki, the service period of all other independent non-executive Directors are less than nine years. He was re-elected subject to a separate resolution approved by Shareholders at the AGM held on 22 April 2013.

Responsibilities of Directors

The Company's officers work closely with the newly appointed Director(s) both immediately before and after his/her appointment to acquaint the newly appointed Director(s) with the duties and responsibilities as a Director and the business operation of the Company.

A package compiled and reviewed by the Company's legal advisers setting out such duties and responsibilities under the Listing Rules, Companies Ordinance of Hong Kong and other related law and relevant regulatory requirements of Hong Kong is provided to each newly appointed Director. The package also 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 Companies Registry of Hong Kong and The Hong Kong Institute of Directors have been forwarded to each Director for his/her information and ready reference.

The Board is of the view 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 judgment 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 Committees.

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 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 Committees 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 fulfill Directors' duties properly, where Directors consider it necessary to obtain additional information other than that is provided by the management, the Directors made further inquiries where necessary during the Board meetings and Board Committees meetings. The queries raised by Directors have received a prompt and full response.

Directors (continued)

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, memorandums and Board meeting 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 during the year ended 31 December 2015:

Directors	Read materials	Attend seminars/briefings
Executive Directors		
Mr. LI Dongsheng	✓	✓
Mr. GUO Aiping	✓	✓
Mr. WANG Jiyang	✓	✓
Mr. Nicolas Daniel Bernard ZIBELL *(appointed on 15 July 2015)*	✓	✓
Non-executive Directors		
Mr. HUANG Xubin	✓	✓
Mr. LIAO Qian *(appointed on 21 May 2015)*	✓	✓
Independent non-executive Directors		
Mr. LAU Siu Ki	✓	✓
Mr. LOOK Andrew	✓	✓
Mr. KWOK Hoi Sing	✓	✓

Securities Transactions Guidelines

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

Specific enquiries have been made with all Directors who have confirmed that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions during the year ended 31 December 2015.

The Directors' interests in shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of Securities and Futures Ordinance (the "SFO")) as at 31 December 2015 are set out on pages 76 to 79 of this annual report.

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

On 24 February 2012, the Board has adopted a set of consolidated memorandum of duties setting out its delegation policy. The segregation of duties and responsibilities between the Board and the management has been clearly defined and provided as internal guidelines of the Company.

The types of decisions which are to be taken by the Board include those relating to:

- corporate and capital structure;
- corporate strategy;
- significant policies affecting the Company as a whole;
- business plan, budgets and public announcements;
- delegation to the Chairman, and delegation to and by Board Committees;
- key financial matters;
- appointment, removal or re-appointment of Board members, senior management and auditors;
- remuneration of Directors and senior management of the Company (the "Senior Management"); and
- communication with key stakeholders, including Shareholders and regulatory bodies.

Operation

To effectively manage the business affairs of the Group, the operation executive committee of the Company (the "Operation Executive Committee") was set up for implementation of the objectives and strategic plans as approved by the Board or the Executive Committee.

Currently the Operation Executive Committee comprises nine members, all of whom are senior management and executives of the Company from various units of the Company, and one secretary. The composition of the Operation Executive Committee is set out as follows:

Members

Mr. GUO Aiping
Mr. Nicolas Daniel Bernard ZIBELL
Mr. YANG Zhe
Mr. LIU Yuk Tung, Thomas
Mr. LYU Xiaobin
Mr. Alain LEJEUNE
Mr. Vittorio DI MAURO
Mr. Dan DERY
Mr. SONG Bo

Secretary

Mr. SUN Wubin

The Operation Executive Committee is responsible for overseeing day-to-day operations of the Group. Normally, the Operation Executive Committee meets quarterly, and may convene additional meetings when necessary to handle urgent matters.

Delegation by the Board (continued)

Board Committees

As at 31 December 2015, the Board had four Board Committees, including the Nomination Committee, the Remuneration Committee, the Audit Committee and the Executive Committee, all with specific terms of reference, to oversee particular aspects of the Group's affairs.

Attendance of the relevant members of the Board Committees (other than the Operation Executive Committee) at the meetings of the committees during the year ended 31 December 2015 is as follows:

	Nomination Committee Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Executive Committee Meetings
Executive Directors				
Mr. LI Dongsheng	N/A	N/A	N/A	4/7
Mr. GUO Aiping	N/A	N/A	N/A	7/7
Mr. WANG Jiyang	N/A	N/A	N/A	2/7
Mr. Nicolas Daniel Bernard ZIBELL *(appointed on 15 July 2015)*	N/A	N/A	N/A	2/6
Non-executive Directors				
Mr. HUANG Xubin	N/A	4/4	N/A	N/A
Mr. YAN Xiaolin *(resigned on 15 July 2015)*	N/A	N/A	N/A	N/A
Ms. XU Fang *(resigned on 21 May 2015)*	1/1	N/A	2/2	N/A
Mr. LIAO Qian *(appointed on 21 May 2015)*	2/2	N/A	3/3	N/A
Independent non-executive Directors				
Mr. LAU Siu Ki	3/3	4/4	5/5	N/A
Mr. LOOK Andrew	3/3	3/4	4/5	N/A
Mr. KWOK Hoi Sing	3/3	4/4	5/5	N/A

Nomination Committee

The Nomination Committee established on 24 February 2012 in compliance with the Code, currently comprises four members, the majority of whom are independent non-executive Directors, including Mr. KWOK Hoi Sing, Mr. LAU Siu Ki and Mr. LOOK Andrew, all being independent non-executive Directors, and Mr. LIAO Qian, a non-executive Director, with Mr. KWOK Hoi Sing as the chairman of the Nomination Committee. This Committee has held three meetings during the year ended 31 December 2015.

The Nomination Committee is governed by its terms of reference, which were revised on 13 August 2013 pursuant to the relevant Code Provisions requirements and are available on the website of the Company at http://tclcom.tcl.com and the website of the Stock Exchange at http://www.hkexnews.hk.

The main duties of the Nomination Committee include the following:

- reviewing and supervising the structure, size and composition of the Board;
- identifying qualified individuals to become members of the Board;
- assessing the independence of the independent non-executive Directors;

Delegation by the Board (continued)

Nomination Committees (continued)

- making 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;
- reviewing the Board Diversity Policy; and
- reviewing the sufficiency of time commitment of Directors to perform their responsibilities.

The Nomination Committee has performed all these main duties during the year ended 31 December 2015.

Potential new Directors are identified and considered for appointment by the Nomination Committee. The Nomination Committee would make recommendation to the Board as to the appointment of such Director. A Director appointed by the Board is subject to election by Shareholders at the first general meeting after his or her appointment, and all Directors are subject to re-election by Shareholders every three years.

Board Diversity Policy

The Company has adopted a board diversity policy (the "Board Diversity Policy") on 13 August 2013 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 gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

Remuneration Committee

The Remuneration Committee currently comprises four members, the majority of whom are independent non-executive Directors, including Mr. LAU Siu Ki, Mr. LOOK Andrew and Mr. KWOK Hoi Sing, all being independent non-executive Directors, and Mr. LIAO Qian, a non-executive Director, with Mr. LAU Siu Ki as the chairman of the Remuneration Committee.

The Remuneration Committee is governed by its terms of reference, which are revised by the Board on 24 February 2012. The terms of reference are made available on the website of the Company at http://tclcom.tcl.com and the website of the Stock Exchange at http://www.hkexnews.hk.

The Remuneration Committee was established on 16 April 2005 pursuant to Rule 3.25 of the Listing Rules. It makes recommendations to the Board on the Company'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 and time, and determines, with delegated responsibility, the remuneration packages of individual executive Directors and Senior Management.

Delegation by the Board (continued)

Remuneration Committees (continued)

During the year ended 31 December 2015, the Remuneration Committee accomplished the following:

- assessing the performance of executive Directors;
- discussing and approving the amendments of Share Award Scheme B (as defined in note 38 to the financial statements) on 21 May 2015 and the submission of the same to the Board for its approval;
- reviewing and approving the emolument and incentive adjustment of Directors;
- reviewing and approving the salary incentive adjustments of the various members of the Operation Executive Committee; and
- reviewing and approving the incentive plan for the participants during the year ended 31 December 2014.

The human resource department of the Company 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 interest 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 of the Company (the “Long-term Incentive Scheme”) which includes the Old Share Option Scheme (as defined in note 37 to the financial statements) adopted and terminated by the Company on 13 September 2004 and 28 April 2014 respectively, the New Share Option Scheme (as defined in note 37 to the financial statements) adopted on 28 April 2014 and Share Award Scheme B. 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 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 Long-term Incentive Plan will only be vested over a period of time so as to provide an incentive for the Senior Management 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
- awarded shares or share options of the Group under the Long-term Incentive Plan, which are awarded subject to the discretion of the Board.

The details of the fees and any other reimbursement or emolument payable to the Directors by band and Senior Management are set out in note 11 to the financial statements.

Audit Committee

The Audit Committee currently comprises four members, the majority of whom are independent non-executive Directors, including Mr. LAU Siu Ki, Mr. LOOK Andrew and Mr. KWOK Hoi Sing, all being independent non-executive Directors and Mr. HUANG Xubin, a non-executive Director. Mr. LAU Siu Ki is the chairman of the Audit Committee, and a professional accountant with profound financial and accounting expertise.

The Audit Committee usually meets four times a year to review and monitor the integrity of the Group’s financial statements. 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 risk management and 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.

Delegation by the Board (continued)

Audit Committee (continued)

The Audit Committee is governed by its terms of reference. The terms of reference are made available on the website of the Company at http://tclcom.tcl.com and the website of the Stock Exchange at http://www.hkexnews.hk.

The work performed by the Audit Committee during 2015 included consideration of the following matters:

- the completeness and accuracy of the 2014 annual, 2015 interim and quarterly financial statements;
- the Company's compliance with statutory and regulatory requirements;
- developments in accounting standards and the effect on the Company;
- review of the effectiveness of the system of risk management and internal control of the Group;
- the internal control reports submitted by the internal audit team of the Company;
- the management letter prepared by the external auditors of the Company ("Auditors");
- the audit fees payable to Auditors; and
- recommendations to the Board, for the approval by Shareholders, for the re-appointment of Messrs. Ernst & Young as the Auditors, which the Board agreed and accepted.

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

Executive Committee

The Board established the Executive Committee on 28 April 2008 with specific written terms of reference. The Board has delegated responsibilities to the Executive Committee for making certain decisions for the management of the Company. The Executive Committee currently comprises four executive Directors, namely Mr. LI Dongsheng, Mr. GUO Aiping, Mr. WANG Jiyang and Mr. Nicolas Daniel Bernard ZIBELL.

Accountability and Audit

Financial Reporting

The Board aims to present a balanced, clear and understandable assessment in annual and interim reports 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 regarding its reporting responsibilities on the financial statements of the Group is set out in the section "Independent Auditors' Report" on pages 90 to 91.

The Directors, having made appropriate 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 92 to 99 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 section "Management Discussion and Analysis" set out in pages 16 to 29 in this 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.

Accountability and Audit (continued)

Financial Reporting (continued)

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.

Risk factors

Risk and uncertainties can affect the Group's business, financial conditions, operational results or growth prospects leading to a divergence from expected or historical results. Key risk factors affecting the Group are outlined below. In dealing with these risk factors, the Group remains in touch with our stakeholders with the aim of understanding and addressing their concerns. These factors are not exhaustive, nor comprehensive, and there may be other risks in addition to those shown below which are not known to the Group or which may not be material now but could become material in the future.

Global economic and macro-economic conditions

To a large extent the Group's operations and performance depend on global and regional economic conditions. Uncertainty about these economic conditions poses a risk as consumers and businesses may postpone spending in response to tighter credit, higher unemployment, financial market volatility, government austerity programmes, negative financial news, declines in income or asset values and/or other factors. These worldwide and regional economic variables could have a material adverse effect on demand for the Group's products and services. Demand could also differ materially from the Group's expectations as a result of depreciation or fluctuation of the currencies in which the Group conducts operations relative to the Hong Kong dollar. The Group has been closely monitoring the currency fluctuations in its existing and potential markets. Hedging policies have been consistently in place to mitigate currency exposures.

Impact of local, national and international regulations

Local business risks specific to individual countries and cities where the Group operates could have a material impact on its financial conditions, operating results and growth prospects. With interests around the world, the Group is, and may increasingly become, exposed to different and changing political, social, legal, tax, regulatory, listing and environmental requirements at the local, national and international level. New policies or measures by governments, whether fiscal, tax, regulatory, environmental or competition-related, may pose a risk to the returns delivered by the Group's businesses, and may delay or prevent the commercial operation of an individual business, with a resulting loss in revenue and profit. The Group has taken a proactive approach to monitoring changes in government policies and legislation. Adequate risk mitigation measures are in place and are constantly reviewed for enhancement.

Market competition

The Group's products and services compete in highly competitive global markets which subject to rapid technological and market developments, changes in customer needs, evolving industry standards and frequent product introductions and improvements. To maintain its competitiveness, the Group adheres to its effective "Step Up" product strategy in enhancing its product competitiveness through continuous effort in research and development. In addition, the Group continues to strengthen its relationship with customers and in reforming its sales strategy to maintain its profitability at a healthy and stable level.

Accountability and Audit (continued)

Risk factors (continued)

Supply chain

The Group has numerous suppliers providing materials used in production and other aspects of its business. However, for certain materials, the Group may rely on a limited number of suppliers. The inability of suppliers to deliver adequate supplies of production materials on a timely basis could disrupt the Group's production processes, which could adversely affect the Group's business and financial performance. The Group adopts a multiple sourcing policy and strategic inventory management to ensure sufficient supply of materials for production.

Past performance and forward looking statements

The performance and the results of operations of the Group during the past years as contained in this Annual Report are historical in nature and past performance can be no guarantee of future results of the Group. This Annual Report may contain forward-looking statements and opinions that involve risks and uncertainties. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions. Neither the Group nor the Directors, employees or agents of the Group assume (a) any obligation to correct or update the forward-looking statements or opinions contained in this Annual Report; and (b) any liability in the event that any of the forward-looking statements or opinions does not materialise or turns out to be incorrect.

Details of the Group's sustainability programme is set out in the Corporate Social Responsibility Report as stated on pages 64 to 69 of this annual report.

Risk Management and Internal Controls

The Board is responsible for ensuring that an effective risk management and 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 risk management and internal controls. The risk management and internal control systems are reviewed on annual basis. During the year ended 31 December 2015, the Directors, through the Audit Committee, have reviewed the effectiveness of all material aspects of the risk management and 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 Company has adopted a set of risk management and 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 Executive Committee.

Each year, the Audit Committee reviews the findings made by the Auditors in respect of issues encountered by them in preparation of the audit report, which often cover issues relating to risk management and internal control. The Audit Committee also reviews the risk management and internal control report submitted by the internal control team of the Company (the "Internal Control 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 Internal Control Team independently reviewed the effectiveness of the risk management and internal controls, including financial, operational and compliance, in the key activities of the Company's business. The head of the Internal Control Team reports to the Audit Committee and the Chairman, and submits regular reports for reviewing in accordance with the approved review and audit mechanisms. The Internal Control Team also submits a detailed report at least once a year to the Board for its review and monitors the effectiveness of the system of risk management and internal control of the Group.

Accountability and Audit (continued)

Risk Management and Internal Controls (continued)

Auditors will also report on the weakness in the Group's internal control and accounting procedure which have come to their attention during the course of audit.

For the year ended 31 December 2015, no critical risk management and internal control issues have been identified.

The Audit Committee has reviewed the effectiveness of the Group's risk management and internal control system and is of the opinion that the resources for and qualifications of staff of the Company's accounting and financial reporting function are adequate and effective. Based on information furnished to it and on its own observations, the Audit Committee is satisfied with the adequacy and effectiveness of the internal risk management and control system 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 ended 31 December 2015 are set out in the Report of the Directors.

Auditor's Remuneration

For the year ended 31 December 2015, the remuneration paid for services provided by the Auditors is roughly as follows:

The below non-audit services included professional advisory on taxation, professional services in relation to the Company's announcements, interim results and continuing connected transactions.

Audit services	HK$7,186,000
Non-audit services (include taxation compliance and agreed upon procedures)	HK$1,297,000

Company Secretary

The position of Company Secretary is held by Ms. PANG Siu Yin, a practising solicitor of Hong Kong, who is not an employee of the Company. The Company Secretary can contact the Company through the general manager of global finance control center and vice president of investor relations of the Company, Mr. WANG Pui, Janus. The Company Secretary is responsible to the Board and reports to the 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.

Ms. PANG has to take no less than 15 hours of relevant professional training during the year ended 31 December 2015. She has fulfilled the requirement during the year under review.

Communications with Shareholders and Investors

Investor Relations

To promote open, transparent, efficient and consistent communications with the capital market, the Company has established a professional investor relations team, which is committed to proactively providing shareholders, investors and other capital market participants with the necessary information, data and services in a timely manner, to allow them to fully understand the strategy, operations and latest developments of the Group.

Apart from monthly press releases on sales of core products and operations, the Group's senior management team presented its annual and quarterly earnings results through telephone and physical conferences in 2015. Meanwhile, the Group communicated with investors and analysts on the Group's latest strategy and developments via various investor relations activities including analyst briefings, press conferences, site visits, global investor telephone conferences and roadshows.

In addition, the Group maintains proactive communications with global investors by participating in the following investor conferences held by international investment banks.

Major Investor Relations Activities in 2015

Date	Event	Location
January 2015	DBS Vickers Pulse of Asia SG Conference	Singapore
	UBS Greater China Conference	Shanghai, China
	Credit Suisse Greater China Technology and Taiwan Corporate Day	Hong Kong
	UBS Las Vegas CES Group Meeting	Las Vegas, United States
	Citibank Non-Deal Roadshow	San Francisco, New York, Los Angeles, United States
March 2015	Morgan Stanley 3rd Annual Technology, Media & Telecommunications Conference	Hong Kong
	BofAML 2015 Taiwan, Technology & Beyond Conference	Taipei, Taiwan
	CMS Non-Deal Roadshow	Hong Kong
	Nomura Non-Deal Roadshow	Hong Kong
	Haitong Non-Deal Roadshow	Hong Kong
	Credit Suisse Non-Deal Roadshow	Edinburgh, London, United Kingdom
April 2015	Sinopac Non-Deal Roadshow	Taipei, Taiwan
	Macquarie Non-Deal Roadshow	Hong Kong

Communications with Shareholders and Investors (continued)

Investor Relations (continued)

Major Investor Relations Activities in 2015 (continued)

Date	Event	Location
May 2015	Macquarie Greater China Conference	Hong Kong
	Haitong Conference	Ningbo, China
	Deutsche Bank Access Asia Conference 2015	Singapore
	GF Securities China Concept Stocks Spring Conference	Shenzhen, China
	BNP Paribas 6th Asia Pacific Technology, Media & Telecommunications Conference	Hong Kong
	Goldman Sachs TechNet Conference Asia Pacific 2015	Hong Kong
	Nomura China Technology, Media & Telecommunications Corporate Day	Hong Kong
June 2015	J.P. Morgan Global China Summit 2015: New Economy, New Markets	Beijing, China
	Maybank Kim Eng HK/China Corporate day	Hong Kong
	Goldman Sachs Non-Deal Roadshow	Beijing, Shanghai, Shenzhen, China
July 2015	DBS Vickers Pulse of Asia Conference	Singapore
	SWS Non-Deal Roadshow	Shenzhen, China
August 2015	Maybank Kim Eng Non-Deal Roadshow	Hong Kong
September 2015	Morgan Stanley China Tech Conference 2015	Shenzhen, China
	Credit Suisse 16th Annual Technology Conference	Shanghai, China
	Nomura China Investor Forum 2015	Hong Kong
November 2015	BofAML China Conference 2015	Beijing, China
	Morgan Stanley's 14th Annual Asia Pacific Summit	Singapore
	Credit Suisse 6th Annual China Investment Conference	Shanghai, China
	Citibank 10th China Investor Conference	Macau
	Daiwa Investment Conference Hong Kong 2015	Hong Kong
	Goldman Sachs China Conference 2015	Shanghai, China
	J.P. Morgan's 3rd Global Technology, Media & Telecommunications Conference 2015	Hong Kong
	ICBC Investor Conference	Hong Kong
December 2015	Barclays Select Series: Asia Technology, Media & Telecommunications Conference	Hong Kong

To further enhance the efficiency of communication, the Group disseminates all the published corporate information, including announcements, press releases and event calendars, via the website of the Company at http://tclcom.tcl.com in a timely manner.

Communications with Shareholders and Investors (continued)

Investor Relations (continued)

Market Recognition

The Group's continuous effort in investor relations has been widely recognized by the investment community and was given a number of awards in 2015, as shown below.

Date	Award	Organizer
February 2015	Best for Shareholders' Rights and Equitable Treatment, Hong Kong	Asiamoney
April 2015	Asia's Best CEO (Investor Relations)	Corporate Governance Asia
	Asia's Best CFO (Investor Relations)	
	Best Investor Relations Company	
May 2015	HKIRA 1st IR Awards Best IR Company – Small Cap	Hong Kong Investor Relations Association
	HKIRA 1st IR Awards Best IRO – Small Cap	
	HKIRA 1st IR Awards Best IR Presentation Collaterals – Small Cap	
October 2015	International ARC Award 2015: Gold Award-Printing & Production -Telecommunications Equipment	Mercomm, Inc
	Hong Kong Outstanding Enterprise Award	Economic Digest
November 2015	IFAPC Outstanding Listed Company Award 2015	IFAPC & Metro Finance Radio
	The Listed Enterprise Excellence Awards 2015	Capital Weekly
	Grand Prix for Best Overall Investor Relations – Mid Cap	IR Magazine
	Best IR by a Mainland China Company – non-SOE	
	Best Investor Relations Officer – Small & Mid Cap	

The Company has been selected as a constituent of the following indexes: Hang Seng Global Composite Index ("HSGCI"), Hang Seng Composite Index ("HSCI"), Hang Seng Composite SmallCap Index ("HSSI"), Hang Seng Composite MidCap & SmallCap Index, Hang Seng CompositeIndustry Index–Information Technology ("HSCIIT"), Hang Seng Internet & Information Technology Index ("HSIII"), Hang Seng IT Hardware Index ("HSITHI") and Hang Seng Corporate Sustainability Benchmark Index ("HSSUSB"). The investor relations team will continue to devote their best efforts to delivering ever better investor relations services.

Communications with Shareholders and Investors (continued)

Voting by Poll

The Company expresses in each relevant corporate communication that the Shareholders shall vote by poll so as to allow the Shareholders to have one vote for every Share. The chairman of the general meeting would explain the voting procedure and answer any questions from the Shareholders regarding voting in poll in the general meetings. The poll voting results of the general meetings were published on the websites of the Stock Exchange and the Company respectively on the same day after the general meetings were held.

Shareholders' Rights to Convene an Extraordinary General Meeting

Pursuant to article 58 of the Articles, any one or more 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 the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of 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 of the Company (the "Shareholders Communication Policy") was formulated and adopted on 24 February 2012 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.

All published information, including all the statutory announcements, press releases and event calendars, is promptly posted on the website of the Company at http://tclcom.tcl.com. Shareholders can also send enquiries and proposals putting forward for Shareholders' consideration at Shareholder meetings to the Board or Senior Management by email at ir.tclcomm@tcl.com or directly by raising questions at the general meeting 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.

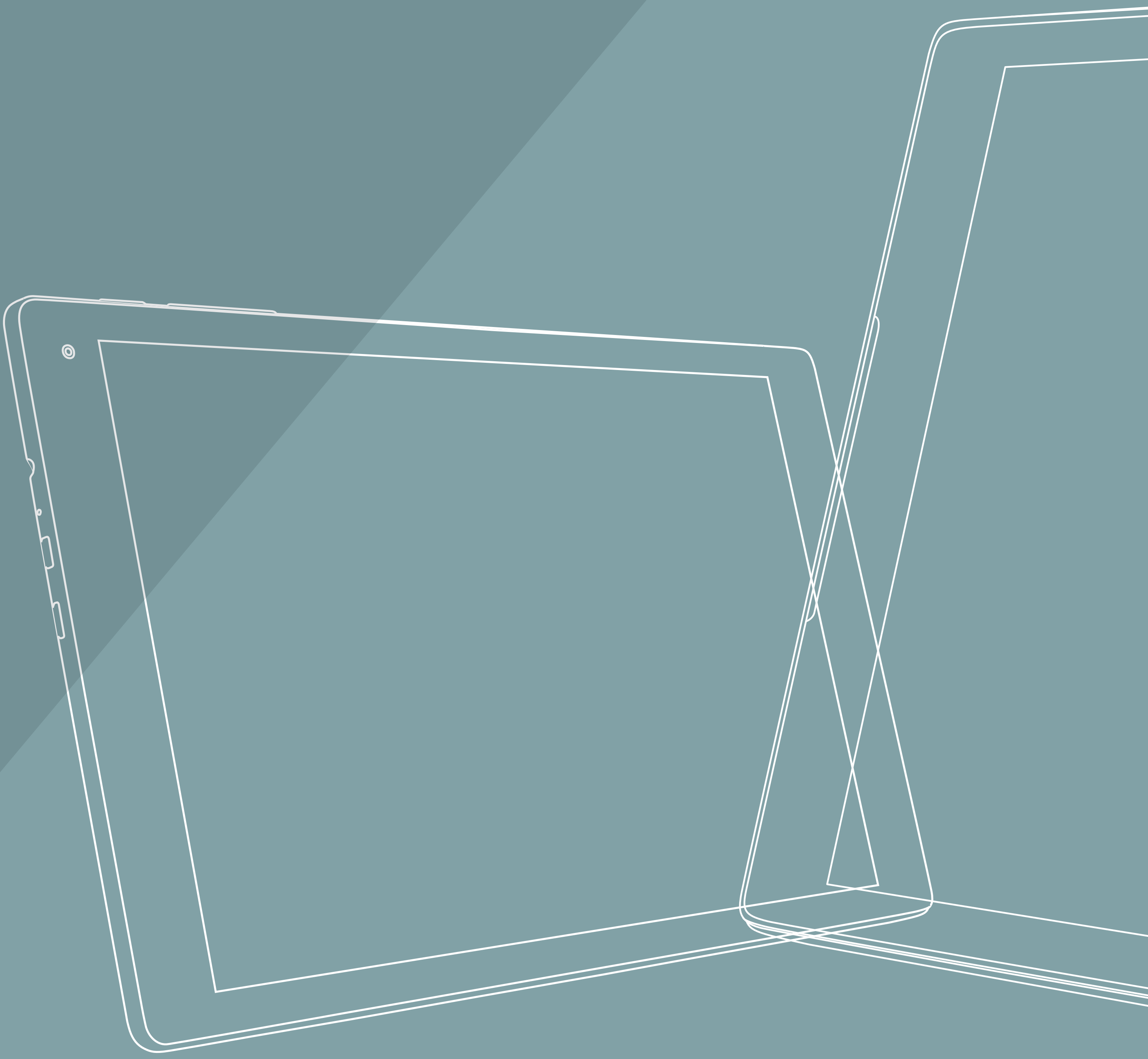
Constitutional Documents

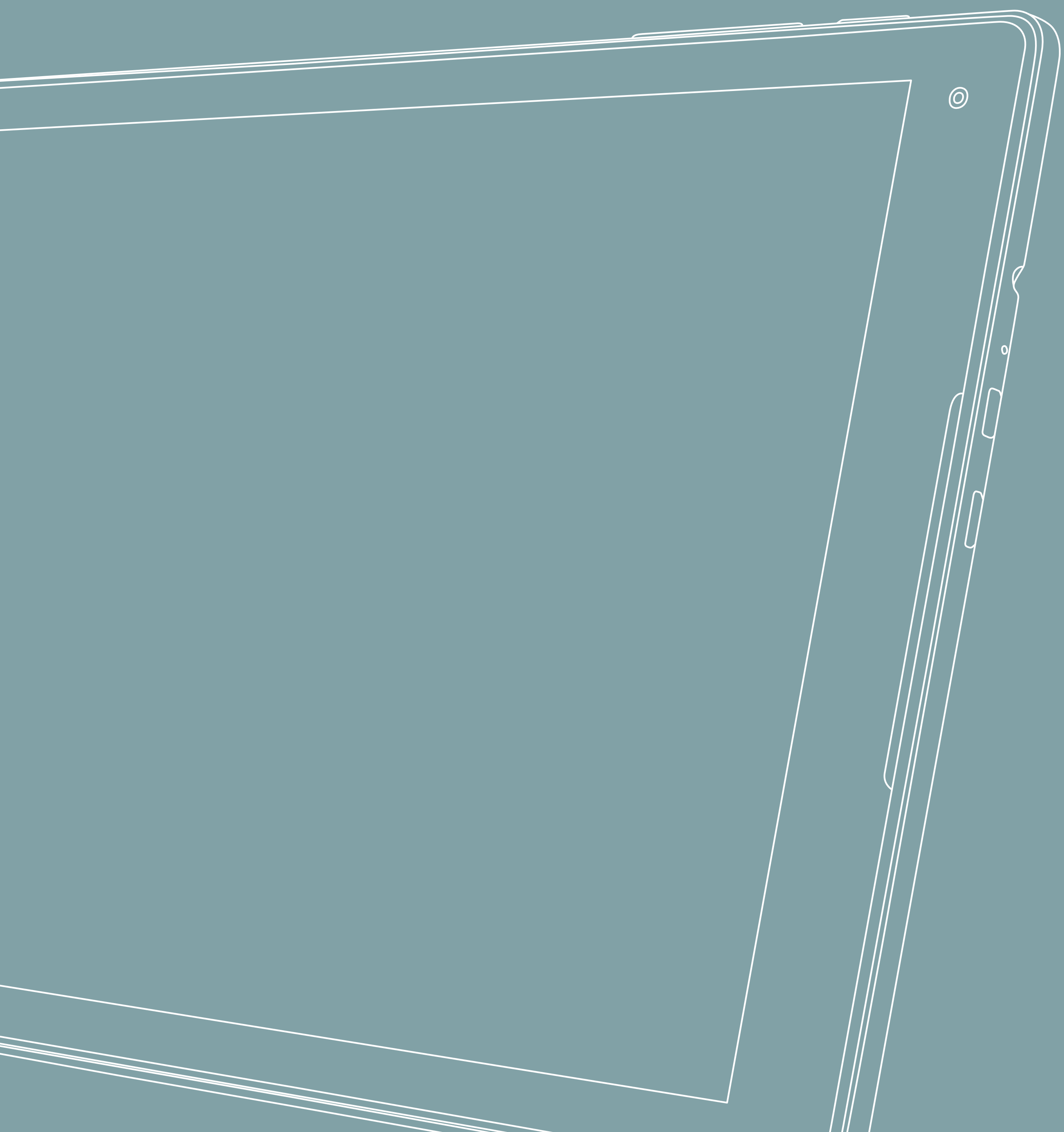
During the year ended 31 December 2015, no amendment had been made to the Articles of the Company.

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 website of the Company at http://tclcom.tcl.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 of the Company via e-mail to ir.tclcomm@tcl.com, or directly through the questions and answers session at Shareholder meetings or press conference.

CORPORATE SOCIAL RESPONSIBILITY REPORT





Corporate Social Responsibility Report

The Group is committed to the continued implementation of sustainable practices across the globe, from supply chain to customers, employees to community and to the environment. This report covers the Group's operations from 1 January 2015 to 31 December 2015, unless otherwise stated.

商界展關懷
caringcompany 2015/16
Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發

Supply Chain Management

The Group adheres to stringent internal controls and holds the laws and regulations of each country in the highest regard. Since 2002 and 2012, the Group has received ISO9001 and TL9000 certifications respectively by implementing a structured quality management system. To maintain a sustainable relationship with its suppliers, the Group adheres strictly to the agreed payment terms and provides reasonable forecasts on raw materials demand. In addition, the Group engages in regular meetings with suppliers to communicate its product strategy, demand planning, requirements for corporate social responsibility and sustainable development. Any problems or concerns raised by suppliers are discussed in order to achieve a mutually beneficial and sustainable partnership.

Customers

Based on the local conditions, the Group strives to provide excellent hardware products, software services and comprehensive solutions to its customers. The Group is pleased to work hand-in-hand with customers in the areas both of business operations and corporate social responsibility.

In 2014 and 2015, the Group participated in Deutsche Telekom Corporate Responsibility Dialogue Day and became one of its vendor pilots in China. Through this cooperation, the Group has committed to several new initiatives in energy conservation and workplace quality, including reducing fuel usage, reducing waste, improving the working environment, setting up comprehensive career development plans for employees, increasing remuneration competitiveness, enhancing communication channels, enriching staff activities and providing mental health services, which will allow the Group to make considerable progress in its corporate social responsibility.

Employees

During the reporting period, the Group had about 13,000 employees, who formed one of its most valuable assets. Each year, the Group recruits outstanding graduates from prestigious universities around the world, including Stanford University, the London School of Economics and Political Science, the University of Edinburgh, Purdue University, Huazhong University of Science and Technology, Harbin Institute of Technology, Sun Yat-sen University, South China University of Technology, Sichuan University and the University of Electronic Science and Technology of China. The Group upholds the principle of fairness and is committed to nurturing employees at all levels. To further the personal and career development of its employees, the Group has run the "Eagle Series" mentorship programme since 2011, with experienced managers providing training and sharing their invaluable experience. In October 2015, the Group launched its first "Eagle Training Camp", where residential induction and overseas combat training was led by various experienced mentors, including Li Dongsheng, to provide self-improvement guidance for the trainees. These "trained eagles" will start their overseas secondments in March 2016. In addition, the TCL Institute of Leadership Development was upgraded to TCL University in 2015.

Throughout the years, the Group has ensured that all departments undertake team-building and development activities in order to improve

employees' motivation, happiness and team spirit. The Group not only set up "Human Resources Consultation Day" to understand employees' learning needs and personal goals, but also hosted "Family Open Day" to help employees' family members know more about the Group's working environment. In 2015, the Group introduced EAP (Employee Assistance Programme), where applied psychology experts offer professional solutions relating to individual mental health, aimed at providing assistance to employees with regards to various psychological problems.

The Group cares about staff's wellness and quality of life. In 2014, the Group established the "Love Fund" to offer financial aid to employees in need due to accidents. Its first "Caring Month" was in June 2015, during which the "Love Fund" fundraising campaign for 2015 was held. The campaign committee members visited many sites and office in teams, and collected charity funds from approximately 900 employees. A total of RMB146,000 was raised to ease the difficulties of four employees in need.

The Group has adhered strictly to the OHSAS18001 (Occupational Health and Safety Management Systems) and SA8000 (Social Accountability) standards since 2008 and 2009 respectively. These certifications set the guidelines that the Group must treat employees with respect and fairness, as well as providing them with a pleasant working environment. In addition, the Group operates in strict accordance with the labour laws of each country to guarantee the rights and benefits of every member of staff. During the past five years, the Group has received seven awards in recognition for being a good employer in China.

Community

The Group takes pride in giving back to the community and is committed to doing so on a continuing basis. The Group aims to support communities and underprivileged groups through actively sponsoring and participating in activities of different kinds, including sports, social services, healthcare, education and culture. In 2015, TCL Communication Technology Limited was awarded a "Caring Company" logo by The Hong Kong Council of Social Service to recognise its contributions to social welfare. Below are some examples of community activities that the Group was involved in during 2015.

Sports

The Group sponsored and participated in various sporting activities through its brand **alcatel**: sponsoring *The Color Run* in 130 countries in North America to strengthen the partnership with *The Color Run*, partnering with the *United States National Soccer League* in sponsoring *LA Galaxy, Toronto FC* and *New York City Football Club* from *Major League Soccer (MLS)*, sponsoring Australian *National Basketball League (NBL)* to allow the Group's alcatel brand to become the official, exclusive smartphone and tablet partner of the league in the *NBL 2015-2016* season.

Social Services

The Group views communities as important partners and therefore proactively promotes social welfare development. In 2015, the Group continued to partner with the *Haven Foundation* to support the building of sustainable community facilities in Haiti, including shelter, education, water supply and sanitation. The Group also donated to various charity organisations in China to provide financial assistance to underprivileged families and students.

The Group assisted in the development of the FTW mobile app in Australia, looking to reduce the suicide rate amongst teenagers around the world.

In early 2015, the Group formed "Sunshine Angels", with 24 TCL Sunshine Angels and TCL Mobile's volunteers paying visits to Ping'an Central Elementary School in Boluo county, China. The team brought learning tools and played with over 60 orphaned children.

Medical and Healthcare

Raising healthcare awareness is crucial to the wellbeing of any community. That is why the Group partnered with the *Movember Foundation* to run a social media campaign across Facebook in the United States and Canada and supported the campaign via product sponsorship, to promote awareness for prostate and testicular cancer.

Furthermore, through collaboration with Aide et Action International, Orange Africa and UNICEF, the Group assisted in the production of a short video to encourage African citizens to register births via mobile handsets, in order to promote acquiring citizenship and protecting the rights of their newborn babies. The video premiered at the 25th anniversary of the Convention on Children's Rights.

Education

The Group actively promotes and explores the integration of technology and education to create more information technology education opportunities within the community. In 2015, the Group sponsored the Orientation Camps in various universities in Hong Kong, aiming to help university freshmen to establish a healthy attitude to learning and positive values. In addition, the Group continues to promote e-Education by providing free tablets to more than 10 government-aided primary and secondary schools for teaching purposes, in order to enhance the learning interactions during class.

The Group has also established a long-term partnership with the Hong Kong University of Science and Technology and the Hong Kong Applied Science and Technology Research Institute, to explore and promote the development of 5G technology.

Culture

The Group actively seeks the integration of culture and arts to promote cultural development in the community. In 2015, the Group sponsored *Le French May*, the largest organised cultural festival period in Asia. 150 cultural projects were launched within two months and attracted over 1 million attendees in Hong Kong.

Environmental Protection

To reduce the impact on the environment, the Group has actively implemented Eco-design.

1. Collected environmental data on the Group's products, including product design, delivery of products and major components, consumer usage, protection of natural resources, after-sale maintenance and waste reduction;
2. Continued tracking of the conflict-free smelter factory data of the Group's upstream supply chain. Currently 94% of key suppliers have promised not to use conflict minerals, while 76% of major suppliers have provided reports on effective conflict minerals control (since 2013).

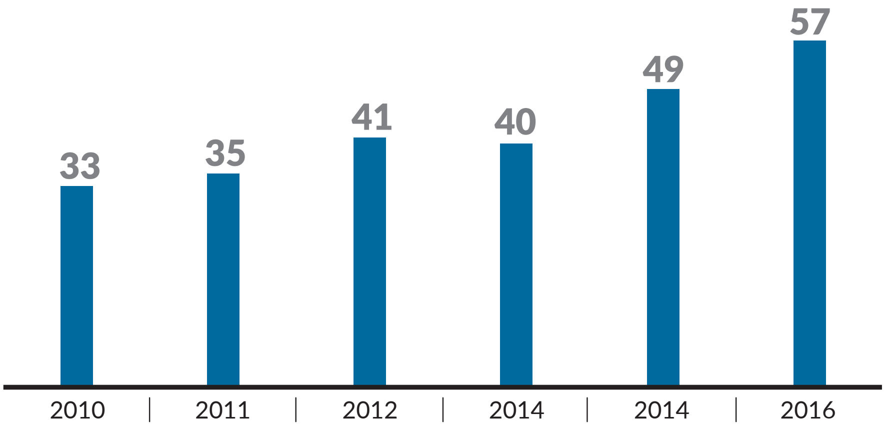
Meanwhile, to improve operational efficiency while reducing the impact on the environment caused by production, the Group continues to comply with the following regulations and certifications, to improve its production processes:

1. Environmental Management system (ISO 14001) (since 2005);
2. Hazardous Substance Process Management QC 080000 (since 2006);
3. Restriction of Hazardous Substances Directive (RoHS) for electrical and electronic products and components manufacturers (since 2006);
4. Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) (since 2011);
5. The Waste Electrical and Electronic Equipment Directive (WEEE) (since 2006).

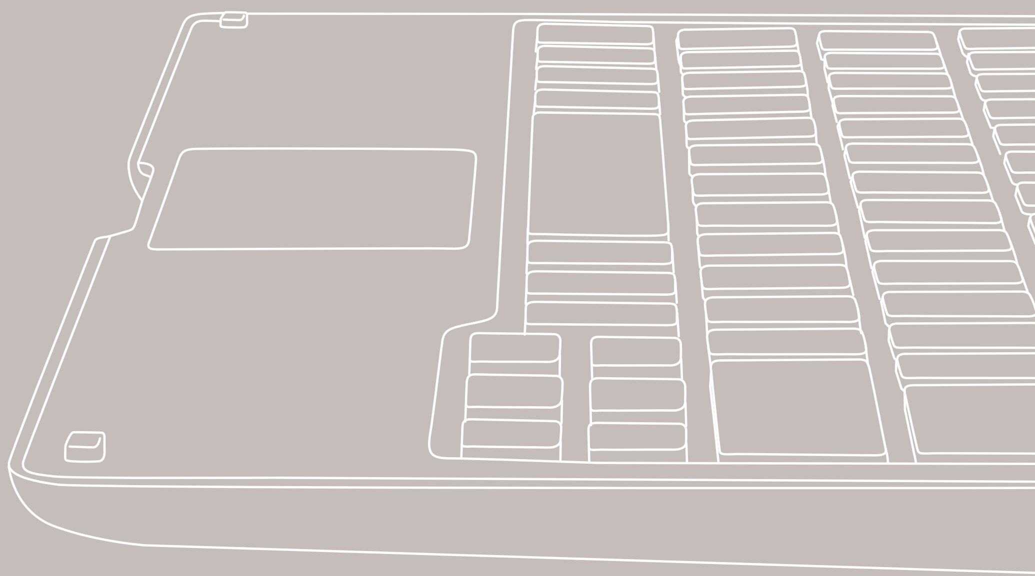
ECOVADIS

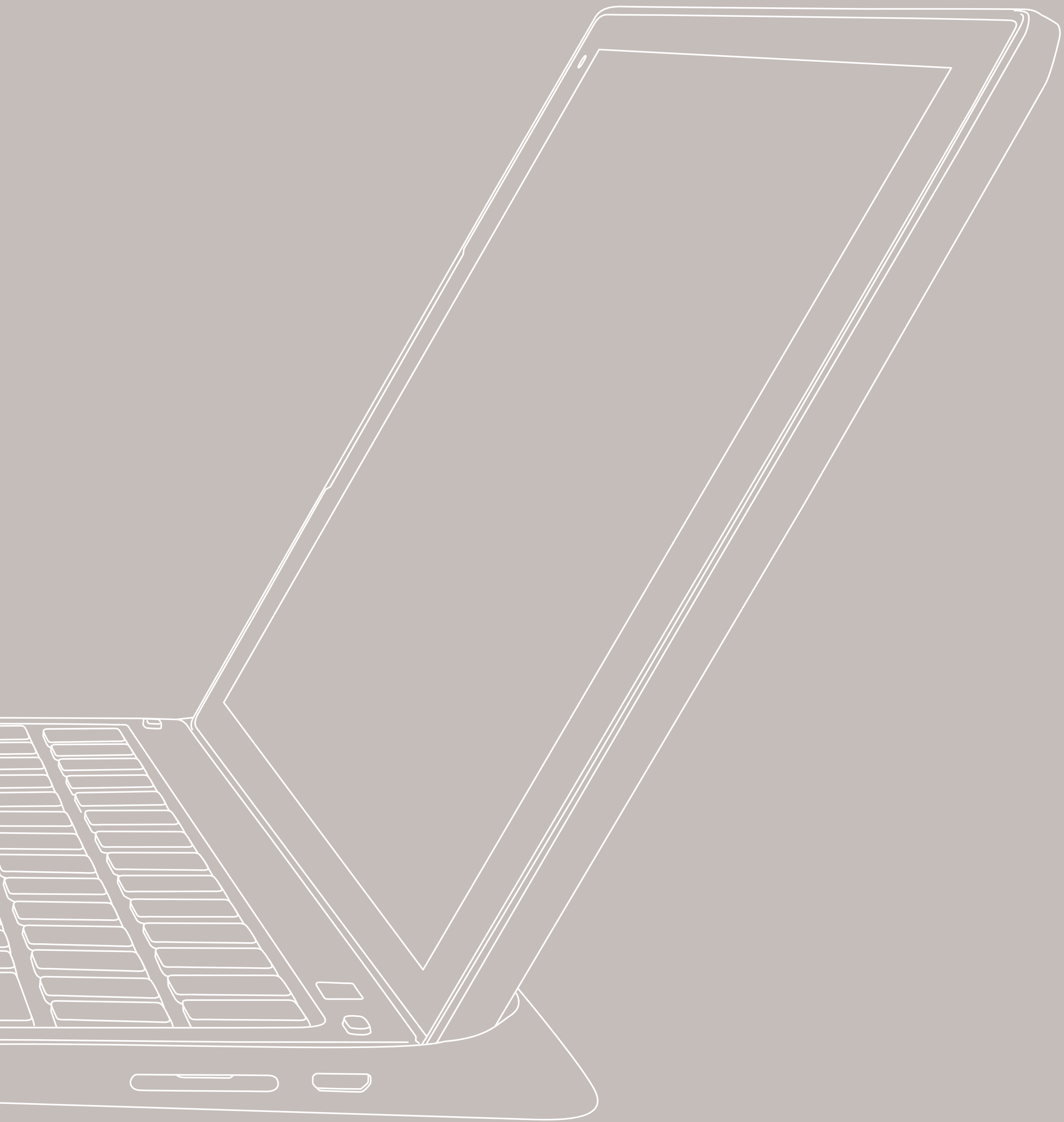
Since 2010, the Group has participated in the ECOVADIS online CSR evaluation, which covers 21 corporate social responsibilities standards in four major themes, namely: Environmental Protection, Labour and Human Rights, Fair Business Practices and Sustainable Procurement. The Group is committed to improving its CSR contribution, and has enhanced its performance through a series of measures including employee care, environmental awareness and sustainable purchasing. The Group reached the top 21% amongst communication companies, as shown in the evaluation results in February 2016.

ECOVADIS online CSR evaluation overall score 2010-2016



REPORT OF THE DIRECTORS





Report of the Directors

The Directors are pleased to present the annual report and the audited financial statements of the Company and the Group for the year ended 31 December 2015.

Principal Activities

The Company is an investment holding company. The principal activities of its principal subsidiaries comprise R & D, manufacture and sale of mobile and internet products and provision of services. There were no significant changes in the nature of the Group's principal activities during the year ended 31 December 2015.

Results

The Group's profit for the year ended 31 December 2015 and the state of affairs of the Company and the Group as at 31 December 2015 are set out in the financial statements on pages 92 to 206.

Final Dividend

The Board has proposed the payment of a final dividend of 21.0 HK cents (2014: 26.0 HK cents) in cash per ordinary share of the Company (the "Shares") for the year ended 31 December 2015. Subject to the approval of the relevant resolution at the forthcoming AGM to be held on 18 May 2016, the final dividend will be paid to the Shareholders whose names appear on the register of members of the Company (the "Register of Members") on 29 July 2016, Friday and payable on or about 15 August 2016, Monday.

Closure of Register of Members

The Register of Members will be closed from 17 May 2016, Tuesday, to 18 May 2016, Wednesday (both dates inclusive), for the purpose of determining the entitlement of the Shareholders 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 documents 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 16 May 2016, Monday.

Closure of Register of Members (continued)

The Register of Members will be closed from 28 July 2016, Thursday, to 29 July 2016, Friday (both dates inclusive), for the purpose of determining the entitlement of the Shareholders to the proposed final dividend upon passing of relevant resolution at the AGM. No transfer of the Shares may be registered during the said period. In order to qualify for the proposed final dividend, all transfers documents 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 27 July 2016, Wednesday.

Business Review

The business review of the Group for the year ended 31 December 2015, including the key relationships with its employees and the Group's environmental policies and performance, is set out in the section headed "Management Discussion and Analysis" and "Corporate Social Responsibility Report" of this annual report. To the best knowledge of the Directors, the Company has complied with the relevant laws and regulations that have a significant impact on the Company.

Summary Financial Information

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 reclassified as appropriate, is set out on page 207. This summary does not form part of the audited financial statements.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Company and the Group during the year ended 31 December 2015 are set out in note 15 to the financial statements.

Share Capital and Share Options

Details of movements in the Company's share capital and share options ("Share Option(s)") during the year ended 31 December 2015 are set out in notes 36 and 37 to the financial statements and "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" in the Report of the Directors respectively.

Issue of Shares

Details of the Shares issued during the year ended 31 December 2015 are set out in note 36 to the financial statements.

Pre-emptive Rights

There is no provision for pre-emptive rights under the Articles or the laws of the Cayman Islands which would oblige the Company to offer new Shares on a pro rata basis to the existing Shareholders.

Purchase, Sale or Redemption of Securities

Pursuant to the rules of the Share Award Scheme B adopted by the Company on 11 March 2008, the Company instructed the trustee for the Share Award Scheme B purchased from the market a total of 1,000,000 Shares being the awarded shares of the Company ("Award Shares") for the Share Award Scheme B during the year. The total amount paid for acquisition of such shares was approximately HK$5,716,000. Save as aforesaid, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2015.

Reserves

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2015 are set out in note 39 to the financial statements and in the consolidated statement of changes in equity respectively.

Distributable Reserves

As at 31 December 2015, before payment of the proposed final dividend for the year ended 31 December 2015, the Company had distributable reserves of HK$553,921,000 standing to credit of its share premium account and HK$669,907,000 standing to the credit of its contributed surplus account. As the Company intends to pay the proposed final dividend out of its share premium account, the amount of the share premium account would be HK$287,526,000 while contributed surplus account would remain the same as aforesaid after the payment of the proposed final dividend.

Major Customers and Suppliers

During the year ended 31 December 2015, sales to the Group's five largest customers accounted for 29% of the total sales for the year and sales to the largest customer included therein amounted to 8%. Purchases from the Group's five largest suppliers accounted for 26% of the total purchases for the year and purchases from the largest supplier included therein amounted to 9%.

None of the Directors or any of their associates or any 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 and suppliers, except that disclosed in note 42(a) to the financial statements.

Directors

During the year ended 31 December 2015 and up to the date of this annual report, the Directors were:

Executive Directors:

Mr. LI Dongsheng (Chairman)
Mr. GUO Aiping (Chief Executive Officer)
Mr. WANG Jiyang
Mr. Nicolas Daniel Bernard ZIBELL
(appointed on 15 July 2015)

Non-executive Directors:

Mr. HUANG Xubin
Mr. YAN Xiaolin (resigned on 15 July 2015)
Ms. XU Fang (resigned on 21 May 2015)
Mr. LIAO Qian (appointed on 21 May 2015)

Independent non-executive Directors:

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

In accordance with article 87(1) of the Articles, Mr. WANG Jiyang, Mr. LAU Siu Ki and Mr. LOOK Andrew will retire by rotation at the conclusion of the forthcoming AGM. All of them, except Mr. WANG Jiyang, being eligible, will offer themselves for re-election at the AGM.

If re-elected at the AGM, Mr. LAU Siu Ki and Mr. LOOK Andrew, will hold office until the conclusion of the AGM of 2019 and, subject to the terms agreed otherwise regarding earlier expiration, will be subject to rotation, removal, vacation or termination of their offices as Directors as set out in the Articles or the disqualification to act as a Director under the Articles, the laws of the Cayman Islands and the Listing Rules.

Each of the independent non-executive Directors has confirmed his independence to the Company pursuant to Rule 3.13 of the Listing Rules and the Company considers all the independent non-executive Directors to be independent.

Changes in Information of Directors

Pursuant to Rule 13.51B of the Listing Rules, the changes in information of Directors subsequent to the date of the 2015 interim report of the Company are set out below:

Name of Directors	Details of the Changes
WANG Jiyang	Resigned as the chief operating officer of the Company with effect from 4 December 2015
HUANG Xubin	Appointed as a non-executive director of Bank of Shanghai Co., Ltd. in September 2015
LAU Siu Ki	COL Capital Limited, in which he served as an independent non-executive director, changed its name to China Medical & HealthCare Group Limited (383.HK) with effect from 29 February 2016 Resigned as an independent non-executive director of UKF (Holdings) Limited (1468.HK) with effect from 15 March 2016
LOOK Andrew	Appointed as an independent non-executive director of CITIC Resources Holdings Limited (1205.HK) with effect from 1 September 2015 Appointed as an independent non-executive director of Union Medical Healthcare Limited (2138.HK) with effect from 19 February 2016

Directors, Senior Management and Executives' Biographies

Biographical details of the Directors, Senior Management and Executives of the Group are set out on pages 30 to 41 of this annual report.

Directors' Service Contracts

As at 31 December 2015, none of the Directors had any existing or proposed service contract with the Company or any of its subsidiaries which will not expire or is not terminable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' Remuneration and Five Highest Paid Employees

The Directors' fees are subject to Shareholders' approval at general meeting. Other emoluments are determined by the Board with reference to Director's duties, responsibilities and performance and the results of the Group.

Particulars of the Directors' remuneration and the five highest paid employees during the year ended 31 December 2015 are set out in note 11 to the financial statements.

Emolument Policy and Long-Term Incentive Schemes

Details of the Group's emolument policy and long-term incentive schemes, as well as the basis for determining the emolument payable to the Directors are set out in "Emolument Policy and Long-Term Incentive Plan" of the Corporate Governance Report.

Pension Schemes

Particulars of the Group's pension schemes are set out in note 5 to the financial statements.

Directors' Interests in Contracts

Save as disclosed in note 42 to the financial statements under the heading "Related Parties Transactions", no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during or at the end of the year ended 31 December 2015.

Management Contracts

No contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or in existence during the year ended 31 December 2015.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2015, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO, as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(A) Interests in the Company – Long Positions

Name of Directors	**Number of ordinary Shares held**	**Number of Awarded Shares held** (Note i)	**Number of underlying Shares held under equity derivatives** (Note ii)	**Total**	**Approximate percentage of issued share capital of the Company**
LI Dongsheng	50,932,050	212,995	3,131,500	54,276,545*	4.28%
GUO Aiping	2,359,280	291,972	9,764,885	12,416,137	0.98%
WANG Jiyang	55,365	110,731	386,857	552,953	0.04%
Nicolas Daniel Bernard ZIBELL	629,535	–	443,000	1,072,535	0.08%
HUANG Xubin	21,474	42,948	1,166,081	1,230,503	0.10%
LIAO Qian	5,774	11,550	40,350	57,674	0.005%
LAU Siu Ki	147,800	7,247	525,316	680,363	0.05%
LOOK Andrew	3,623	7,247	25,316	36,186	0.003%
KWOK Hoi Sing	3,623	7,247	525,316	536,186	0.04%

* As at 31 December 2015, Mr. LI Dongsheng ("Mr. LI") was deemed to be interested in 54,276,545 Shares, comprising (a) 47,144,850 Shares, Share Options to subscribe for 3,067,217 Shares, and 194,595 Awarded Shares, all being held by Mr. LI; and (b) 3,787,200 Shares, Share Options to subscribe for 64,283 Shares, and 18,400 Awarded Shares, all being held by his spouse.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures (continued)

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

TCL Corp. (Note iii)

Name of Directors	Number of ordinary shares held	Number of awarded shares held	Number of underlying shares held under equity derivatives	Total	Approximate percentage of issued shares of TCL Corp.
LI Dongsheng	1,047,173,209	–	–	1,047,173,209*	8.56%
HUANG Xubin	3,383,380	–	–	3,383,380	0.03%

* Under the SFO, as at 31 December 2015, Mr. LI Dongsheng was deemed to be interested in (a) 638,273,688 shares of TCL Corp. held by him personally; and (b) 408,899,521 shares of TCL Corp. held by partnership enterprises ultimately controlled by him.

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

TCL Multimedia (Note iv)

Name of Directors	Number of ordinary shares held	Number of awarded shares held (Note v)	Number of underlying shares held under equity derivatives (Note vi)	Total	Approximate percentage of issued shares of TCL Multimedia
LI Dongsheng	41,522,430	85,283	4,699,411	46,307,124*	3.34%
WANG Jiyang	1,518,000	–	–	1,518,000	0.11%
HUANG Xubin	1,083,555	54,661	699,275	1,837,491	0.13%
LIAO Qian	6,874	14,699	64,298	85,871	0.01%

* As at 31 December 2015, Mr. LI was deemed to be interested in 46,307,124 shares of TCL Multimedia, comprising (a) 37,511,663 shares of TCL Multimedia, share options of TCL Multimedia to subscribe for 4,596,977 shares of TCL Multimedia, and 61,865 restricted shares of TCL Multimedia, all being held by Mr. LI; and (b) 4,010,767 shares of TCL Multimedia, share options of TCL Multimedia to subscribe for 102,434 shares of TCL Multimedia, and 23,418 restricted shares of TCL Multimedia, all being held by his spouse.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures (continued)

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

Tonly Electronics (Note vii)

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

* As at 31 December 2015, Mr. LI was deemed to be interested in 5,687,668 shares of Tonly Electronics, comprising (a) 5,306,968 shares of Tonly Electronics held by Mr. LI; and (b) 380,700 shares of Tonly Electronics held by his spouse.

Notes:

i. As at 31 December 2015, these Awarded Shares granted to the Directors and their associates under the Share Award Scheme B, including the Awarded Shares granted on 21 May 2015 and 3 November 2015. Further details of the Awarded Shares during the year ended 31 December 2015 were set out in note 38 to the financial statements.

ii. As at 31 December 2015, these equity derivatives were the outstanding Share Options granted to the Directors and their associates under the Old Share Option Scheme and New Share option Scheme, including the Share Options granted under the New Share Option Scheme on 21 May 2015 and 3 November 2015. Further details of the Share Options during the year ended 31 December 2015 were set out in note 37 to the financial statements.

iii. TCL Corp., a company incorporated in the People's Republic of China with its shares listed on the Shenzhen Stock Exchange (stock code: 000100), is the ultimate controlling Shareholder of the Company.

iv. TCL Multimedia, a company incorporated in the Cayman Islands with its shares listed on the Stock Exchange (stock code: 1070), and controlled by TCL Corp., is a subsidiary of TCL Corp.

v. As at 31 December 2015, these restricted shares were the restricted shares granted to the Directors and their associates under the restricted share award scheme of TCL Multimedia, including restricted shares granted on 25 June 2015.

vi. These equity derivatives were the outstanding share options as at 31 December 2015 granted to the Directors under the share option scheme of TCL Multimedia, including share options granted on 9 March 2015 and 31 August 2015.

vii. Tonly Electronics Holdings Limited ("Tonly Electronics"), a company incorporated in the Cayman Islands with its shares listed on the Stock Exchange (stock code: 1249), and controlled by TCL Corp., is a subsidiary of TCL Corp.

Save as disclosed above, as at 31 December 2015, none of the Directors and chief executive of the Company and their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Directors' Rights to Acquire Shares, Underlying Shares or Debentures

Save as disclosed above and in the "Share Option Scheme" set out in note 37 and "Share Award Scheme" set out in note 38 to the financial statements respectively, at no time during the year ended 31 December 2015 was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangement to enable any Director, their respective spouse or children under 18 years of age to acquire benefits by means of an acquisition of shares or underlying shares in or debentures of the Company or its associated corporations.

Substantial Shareholder's Interests in Shares and Underlying Shares

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

Name	Type of interest	Interest in shares and underlying shares held	Approximate percentage of the issued shares of the Company	Note
TCL Corp.	Interest of controlled corporation	819,544,000	64.64%	i

Note:

i. Under the SFO, as at 31 December 2015, TCL Corp. was deemed to be interested in 808,851,000 Shares held by T.C.L. Industries Holdings (H.K.) Limited ("T.C.L. Industries"), a direct wholly-owned subsidiary of TCL Corp., such aforesaid amount has been disclosed on the website of Stock Exchange. The Company has been notified by TCL Corp. that the holding of T.C.L. Industries as at 31 December 2015 was 819,544,000 Shares. However, the increase to such holding did not give rise to any disclosure obligation under the SFO.

Save as disclosed above, no person (not being a Director or chief executive of the Company) known to the Directors or chief executive of the Company, who, as at 31 December 2015, had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Connected Transactions

During the year ended 31 December 2015, the Group entered into a number of connected transactions and continuing connected transactions.

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

a. On 27 October 2006, a financial service framework agreement for a term from 27 October 2006 to 31 December 2008 was entered into among the Company, TCL Corp. and Finance Company (a non-wholly owned subsidiary of TCL Corp.) (as defined in the section "Directors, Senior Management and Executives" of this annual report)), pursuant to which the Company may from time to time utilize the financial services provided by the Finance Company including but not limited to deposit services, financing services and other financial services. As it wishes to continue the continuing connected transactions contemplated thereunder, the Company renewed the said agreement on 9 September 2008, 26 October 2011 and 11 November 2014 respectively. The terms of the said renewal agreements are substantially the same as their predecessors with some minor modifications.

   The current master financial services (2014 renewal) agreement was entered into on 11 November 2014 commencing from 1 January 2015 to 31 December 2017. Further details of the said agreement were set out in the announcement of the Company dated 11 November 2014 and the circular of the Company dated 1 December 2014.

   The deposit services under the said agreement and the proposed annual caps thereof were duly approved by the Shareholders at the EGM held on 16 December 2014.

   During the year ended 31 December 2015, the maximum total outstanding daily ending balances of deposits (including interest receivables in respect of these deposits) due from the Finance Company was HK$1,012,534,000 and a fee and commission of HK$19,000 in respect of other financial services has been paid by the Group.

b. On 13 September 2004, a brand promotion agreement was entered into between the Company and TCL Corp., pursuant to which the Group agreed to contribute a certain percentage of the Group's net sales (before value added tax) from the monthly sale of mobile communication products bearing the "**TCL**" brand name for a period of three years to the TCL brand common fund (the "Common Fund"). As it wishes to continue the continuing connected transactions contemplated thereunder, the Company renewed the said agreement on 29 December 2006, 25 November 2009, 17 December 2012 and 24 December 2015 respectively and entered into the supplemental agreement on 31 December 2013. The terms of the said renewal and supplemental agreement are substantially the same as the predecessors with some minor modifications.

   The current brand promotion (renewal 2015) agreement was entered into on 24 December 2015 commencing from 1 January 2016 to 31 December 2018. Further details of the said renewal agreement were set out in the announcement of the Company dated 24 December 2015.

   During the year ended 31 December 2015, the Group incurred an amount of HK$20,672,000 under the said agreement.

Connected Transactions (continued)

c. On 13 September 2004, a master supply agreement was entered into between the Company and TCL Corp. for a term from 13 September 2004 to 13 September 2007 pursuant to which (i) TCL Corp., upon the request from any PRC subsidiaries of the Company, shall purchase goods or raw materials manufactured overseas (the "Overseas Goods") and then resell the same to the relevant PRC subsidiaries of the Company; and (ii) the Company shall procure its PRC subsidiaries to consider purchasing goods or raw materials manufactured in PRC (the "PRC Goods") from the TCL Corp. and its subsidiaries, excluding members comprising the Group for the purpose of this annual report (the "TCL Corp. Group"). As it wishes to continue the continuing connected transactions contemplated thereunder, the Company renewed the said agreement on 29 December 2006, 25 November 2009, 17 December 2012 and 3 November 2015 respectively.

   The current master supply (renewal 2015) agreement was entered into on 3 November 2015 commencing from 1 January 2016 to 31 December 2018. Pursuant to master supply (renewal 2015) agreement, (i) the supply of goods will now covering Overseas Goods as well as PRC Goods (collectively the "Goods") instead of PRC Goods alone; and (ii) any provision of services or supply of Goods will now be rendered by the TCL Corp. Group and its associates (the "Extended TCL Corp. Group") instead of just TCL Corp. Group or TCL Corp alone. Save for this amendment, other terms and conditions under the master supply (renewal 2015) agreement remain unchanged. Further details of the said renewal agreement were set out in the announcement and circular of the Company dated 3 November 2015 and 9 December 2015 respectively.

   The transactions under the master supply (renewal 2015) agreement and its proposed annual caps were duly approved by the Shareholders in the EGM held on 24 December 2015.

   During the year ended 31 December 2015, the consideration paid from the Group for the Overseas Goods and the PRC Goods were HK$763,000 and HK$1,443,432,000 respectively, of which the amount of HK$763,000 for the Overseas Goods comprised the consideration for the purchase of Overseas Goods amounting to HK$760,000 and the administration fee amounting to HK$3,000.

d. On 8 August 2011, a master supply (sale) agreement was entered into between the Company as the seller and TCL Corp. as the purchaser for a term from 8 August 2011 to 31 December 2013, which governed the existing and future sales contracts (both finished goods and materials) to be entered into between the Company and TCL Corp. Group. In order to continue the continuing connected transactions contemplated thereunder, the Company renewed the said agreement on 22 October 2013 and 17 September 2015.

   The current master supply (sale) agreement (2015) was entered into on 17 September 2015 commencing from 17 September 2015 to 31 December 2017. Pursuant to master supply (sale) agreement (2015), the scope of the targets to which the Group may supply the mobile communication products (as defined in the announcement of the Company dated 17 September 2015) is expanded from the TCL Corp. Group to the Extended TCL Corp. Group. Save for this amendment, other terms and conditions under the master supply (sale) agreement (2015) remain unchanged. Further details regarding the said renewal agreement were set out in the announcement and the circular of the Company dated 17 September 2015 and 26 October 2015 respectively.

   The transactions under the master supply (sale) agreement (2015) and its proposed annual caps were duly approved by the Shareholders in the EGM held on 10 November 2015.

Connected Transactions (continued)

During the year ended 31 December 2015, the consideration received by the Group for the transactions under the said renewal agreement was HK$204,511,000.

e. On 8 August 2011, a master lease agreement was entered into between Company and TCL Corp. commencing from 8 August 2011 to 31 December 2013, which governed the existing leases and leases to be entered into. In order to continue the continuing connected transactions contemplated thereunder, the Company renewed the said agreement on 22 October 2013 and 21 May 2015.

The current master lease (2015) agreement was entered into on 21 May 2015 commencing from 21 May 2015 to 31 December 2017. Pursuant to master lease (2015) agreement, in addition to leasing premises from TCL Corp. Group, the Group may also lease premises to TCL Corp. Group. Save for this amendment, other terms and conditions under the master lease (2015) agreement remain unchanged. Further details of the said renewal agreement were set out in the announcement of the Company dated 21 May 2015.

During the year ended 31 December 2015, the total rental borne and received by the Company under the said renewal agreement (including all existing leases) amounted to HK$50,115,000 and HK$14,856,000 respectively.

f. On 26 June 2013, a strategic cooperation framework agreement was entered into between the Company and TCL Corp., commencing from 1 July 2013 to 31 December 2015, which sets out the principal provisions for further cooperation in technological development. In order to continue the continuing connected transactions contemplated thereunder, the Company renewed the said agreement on 24 December 2015 commencing from 1 January 2016 to 31 December 2018. The terms of the said renewal agreements are substantially the same as their predecessors with some minor modifications. Further details of the said renewal agreement were set out in the announcement of the Company dated 24 December 2015.

During the year ended 31 December 2015, the total service fees paid by the Company under the said agreement amounted to HK$49,702,000, comprising the service fees for the joint laboratory project and the strategic mutual research and the mid-to-long-term planning project (as defined in the announcement of the Company on 26 June 2013) amounting to HK$6,249,000 and HK$43,453,000 respectively

g. On 26 March 2013, a master construction management agreement was entered into between Huizhou TCL Mobile Communication Co., Ltd. (惠州TCL移動通信有限公司) ("Huizhou TCL Mobile", an indirect wholly owned subsidiary of the Company) and TCL Real Estate (Huizhou) Co., Ltd (惠州TCL房地產開發有限公司) ("TCL Real Estate (Huizhou)", a non-wholly owned subsidiary of TCL Corp.) commencing from 26 March 2013 to 31 December 2015, pursuant to which, Huizhou TCL Mobile appointed TCL Real Estate (Huizhou) as the construction manager for its various construction projects on the lands situated in Sub-division 37 and Sub-division 38 (to be referred as "Land 37" and "Land 38" respectively), Zhong Kai High Tech Park, Huizhou, Guangdong Province, the PRC to provide it with construction management services. Further details of the said agreement were set out in the announcement of the Company dated 26 March 2013.

Connected Transactions (continued)

On 6 January 2014, a supplemental agreement was entered into among Huizhou TCL Mobile, TCL Real Estate (Huizhou) and TCL Industrial Park Property Management (Huizhou) Ltd. (惠州TCL工業園置業管理有限公司)("TCL Property Management (Huizhou)", a non-wholly owned subsidiary of TCL Corp.), pursuant to which the parties agreed, with effect from 6 January 2014, TCL Property Management (Huizhou) would replace TCL Real Estate (Huizhou) and become one of the contract parties of the master construction management agreement, continue to fulfill the responsibilities and obligations, also be entitled to enjoy relevant rights and interests.

During the year ended 31 December 2015, the service fee paid by Huizhou TCL Mobile under the said agreement amounted to HK$374,000.

The management of the Company has decided not to renew the master construction management agreement upon its expiry on 31 December 2015.

h. On 11 November 2014, a master payment services agreement was entered into between the Company and TCL Corp. commencing from 11 November 2014 and 10 November 2017, pursuant to which the relevant members of TCL Corp. would engage the relevant members of the Group to provide them with payment services, in consideration of the service fee for such services to be paid by the relevant members of TCL Corp.. Further details of the said agreement were set out in the announcement of the Company dated 11 November 2014 and the circular of the Company dated 1 December 2014.

During the year ended 31 December 2015, the service fee received by the Group under the said agreement amounted to HK$1,195,000.

The Group entered into the following connected transactions (other than connected transactions that are exempted under Rule 14A.73 of the Listing Rules) during the year ended 31 December 2015:

a. On 21 May 2015, Shenzhen TCL Cloud (a wholly-owned subsidiary of the Company) entered into a club membership acquisition agreement with Shenzhen TCL Optoelectronics a fellow subsidiary of the Group), to acquire club membership interests at a total consideration of HK$347,500,000 from Shenzhen TCL Optoelectronics. Further details of the said agreement were set out in the announcement of the Company dated 21 May 2015.

During the year ended 31 December 2015, the amount paid under the club membership acquisition agreement was approximately HK$198,921,000. For the remaining consideration, approximately HK$148,579,000 will be paid in monthly installments from January 2016 to September 2017.

Connected Transactions (continued)

b. On 3 November 2015, the Board has resolved to conditionally grant 1,980,753 Awarded Shares all being new Shares (the "New Shares") to 29 connected grantees subject to their acceptance (the "Conditional Connected November Grant"). The Conditional Connected November Grant was subject to (i) the approval by the Shareholders for the new specific mandate as more particularly set out in the circular of the Company dated 9 December 2015; (ii) the approval by the independent Shareholders for the Conditional Connected November Grant; and (iii) the approval by the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, such New Shares. As at 31 December 2015, all conditions mentioned above have been fulfilled. Further details of the Conditional Connected November Grant were set out in the announcements of the Company dated 3 November 2015 and 24 December 2015 and the circular of the Company dated 9 December 2015 respectively.

   During the year ended 31 December 2015, the consideration received for the Conditional Connected November Grant amounted to HK$11,000.

c. Out of the Awarded Shares granted on 21 May 2015, a total of 826,232 Awarded Shares were granted to and accepted by 11 connected grantees (the "May Grant"). The Company originally intended to satisfy the May Grant with existing Shares (the "Existing Shares"). However, given the fluctuation in the economic environment, in order to retain more working capital for the Company to cope with future challenges, the Company proposed to use New Shares to satisfy the May Grant instead of using Existing Shares ("Use of New Shares to Satisfy the May Grant"). The Use of New Shares to Satisfy the May Grant was subject to (i) the approval by the Shareholders for the new specific mandate as more particularly set out in the circular of the Company dated 9 December 2015; (ii) the approval by the independent Shareholders for the Use of New Shares to Satisfy the May Grant; and (iii) the approval by the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, such New Shares. As at 31 December 2015, all conditions mentioned above have been fulfilled. Further details of the Use of New Shares to Satisfy the May Grant were set out in the announcements of the Company dated 21 May 2015, 26 May 2015, 15 July 2015, 3 November 2015 and 24 December 2015 and circular of the Company dated 9 December 2015.

   During the year ended 31 December 2015, there was no consideration received for Conditional Connected May Grant.

The independent non-executive Directors have reviewed the continuing connected transactions set out above and have confirmed that these continuing connected transactions were:

(i) in the ordinary and usual course of business of the Group;

(ii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms better to the Group than terms available to or from (as appropriate) independent third parties; and

(iii) in accordance with the terms of the relevant agreements governing them on terms that were fair and reasonable and in the interests of the Shareholders as a whole.

Connected Transactions (continued)

Ernst & Young, the Auditors, were engaged to report on the continuing connected transactions of the Group in accordance with the 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 HKICPA. 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. Ernst & Young have confirmed to the Board that the above continuing connected transactions:

(i) have been approved by the Board;

(ii) are in all material respects in accordance with the pricing policies of the Group where the transactions involved provision of goods or services by the Group;

(iii) have been entered into, in all material respects, in accordance with the terms of the relevant agreements governing the transactions; and

(iv) have not exceeded the relevant caps.

Information about the Structure Contracts

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

Structure Contracts (VIE (A))

On 4 January 2015, (a) 深圳市前海匯銀通技術服務有限公司 ("WFOE (A)") and Huizhou Cellutel Communication Co., Ltd. (惠州市賽洛特通訊有限責任公司)("Cellutel", a non-wholly owned subsidiary of the Company) entered into (1) a power of attorney; (2) an exclusive purchase right agreements; and (3) an equity interest pledge agreements with each of Shenzhen Quanhuifeng Technology Limited (深圳全匯豐科技有限公司)("SZ Quanhuifeng", an indirect non-wholly owned subsidiary of the Company) and TCL Corp., the registered owners of Cellutel; and (b) WFOE (A) and Cellutel also entered into (4) an exclusive business cooperation agreement. Item (1) to (4) above are collectively referred to as the "Structure Contracts (VIE (A))".

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

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

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

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

Structure Contracts (VIE (B))

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

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

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

Further details of the Structure Contracts (VIE(A)) and Structure Contracts(VIE(B)) were set out in the announcement of the Company dated 9 October 2014.

Information about the Structure Contracts (continued)

Significance and financial contribution of Cellutel and OPCO to the Group

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

	Revenue for the year ended 31 December 2015 HK$'000	Net Profit for the year ended 31 December 2015 HK$'000	Total Assets as at 31 December 2015 HK$'000
Cellutel(Note1)	50,705	(12,909)	126,787
OPCO(Note1 & 2)	109	(24,124)	121,162
The Group(audited)	28,557,585	1,057,484	16,606,987

Note:

1. The revenue, net profit and total assets of Cellutel and OPCO were not audited for statutory reporting purpose.
2. The financial statements of OPCO are fully consolidated into the financial statements of WFOE (B), which in turn are fully consolidated into Reachfull Investment Limited, a company in which the Company indirectly holds 25% of its issued share capital.

Reasons for the Structure Contracts

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

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

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

Information about the Structure Contracts (continued)

Risks associated with the Structure Contracts

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

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

Material Changes

As at 31 December 2015, there has not been any material changes in the Structure Contracts and/or the circumstances under which they were adopted.

Unwinding of the Structure Contracts

As at 31 December 2015, there has not been any unwinding of any Structure Contracts, nor has there been any failure to unwind any Structure Contracts.

Corporate Governance

Details of the Group's governance practices can be found in the Corporate Governance Report contained on pages 42 to 63 in this annual report.

Model Code for Securities Transactions by Directors

The Board has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code. Specific enquiries have been made with all Directors who have confirmed that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions during the year ended 31 December 2015.

Directors' Interests in a Competing Business

During the year ended 31 December 2015, no Directors are considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules.

Events after the Reporting Period

Details of the significant events after the reporting period of the Group are set out in note 47 to the financial statements.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this annual report.

Audit Committee

In compliance with Rule 3.21 of the Listing Rules and the relevant Code Provisions of the Corporate Governance Code, the Company has established an Audit Committee for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audited annual results for the year ended 31 December 2015, which has been agreed with the Auditors, have been reviewed by the Audit Committee.

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

Auditors

The accounts for the year ended 31 December 2015 have been audited by Ernst & Young, who shall retire and, being eligible, shall offer themselves for re-appointment as Auditors at the forthcoming AGM to be held on 18 May 2016.

Donations

During the year ended 31 December 2015, the Group did not make any charitable donations.

Equity-Linked Agreements

Other than the Old Share Option Scheme and New Option Scheme and the Share Award Scheme A and Share Award Scheme B as disclosed in the "Share Option Scheme" and "Share Award Scheme" set out in notes 37 and 38 to the financial statements respectively and the grant letters issued pursuant to the schemes, 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 year or subsisted at the end of the year ended 31 December 2015.

Permitted Indemnity Provision

The Articles provides that the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty; provided that such indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of them.

The Company has taken out and maintained Directors' liability insurance which provides appropriate cover for the Directors and directors of the subsidiaries of the Group.

On behalf of the Board

LI Dongsheng
Chairman

Hong Kong
23 March 2016

Independent Auditors' Report

To the shareholders of TCL Communication Technology Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of TCL Communication Technology Holdings Limited (the "Company") and its subsidiaries set out on pages 92 to 206, 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 year then ended, 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, 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.

To the shareholders of TCL Communication Technology Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

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 year then ended 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
23 March 2016

Consolidated Statement of Profit or Loss

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
REVENUE	8	**28,557,585**	30,691,054
Cost of sales		**(22,525,437)**	(24,773,502)
Gross profit		**6,032,148**	5,917,552
Other income and gains	8	**804,334**	582,122
Research and development costs		**(1,746,017)**	(1,479,149)
Selling and distribution expenses		**(2,076,656)**	(2,420,176)
Administrative expenses		**(1,547,989)**	(1,246,383)
Other expenses		**(189,478)**	(105,073)
Finance costs	10	**(140,834)**	(99,513)
Share of profits and losses of associates		**(13,499)**	(364)
Share of losses of joint ventures		**(9,191)**	–
PROFIT BEFORE TAX	9	**1,112,818**	1,149,016
Income tax expense	12	**(55,334)**	(41,476)
PROFIT FOR THE YEAR		**1,057,484**	1,107,540
Attributable to:			
Owners of the parent		**1,056,991**	1,092,507
Non-controlling interests		**493**	15,033
		1,057,484	1,107,540
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	14		
Basic		**84.60 HK cents**	91.58 HK cents
Diluted		**83.25 HK cents**	88.25 HK cents

Consolidated Statement of Comprehensive Income

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
PROFIT FOR THE YEAR		**1,057,484**	1,107,540
OTHER COMPREHENSIVE (LOSS)/INCOME			
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive income of joint ventures	21	**25**	–
Changes in fair value of available-for-sale investments	22	**122,107**	(5,938)
Cash flow hedges:			
Effective portion of changes in fair value of hedging instruments arising during the year	31	**(50,328)**	402,784
Reclassification adjustments for gains included in the consolidated statement of profit or loss	31	**(318,136)**	(178,280)
Income tax effect	31	**33,153**	18,939
		(335,311)	243,443
Exchange differences on translation of foreign operations		**(680,237)**	(155,910)
Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods		**(893,416)**	81,595
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX		**(893,416)**	81,595
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**164,068**	1,189,135
Attributable to:			
Owners of the parent		**163,575**	1,174,102
Non-controlling interests		**493**	15,033
		164,068	1,189,135

Consolidated Statement of Financial Position

31 December 2015

	Notes	2015 HK$'000	2014 HK$'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	15	**1,724,658**	1,439,029
Investment properties	16	**104,114**	43,117
Prepaid land lease payments	17	**106,353**	116,086
Other intangible assets	18	**1,463,537**	1,260,093
Goodwill	19	**253,954**	253,954
Investments in associates	20	**35,813**	52,925
Investments in joint ventures	21	**26,321**	–
Available-for-sale investments	22	**352,591**	227,738
Deferred tax assets	35	**276,479**	297,641
Other non-current assets		**20,446**	–
Total non-current assets		**4,364,266**	3,690,583
CURRENT ASSETS			
Inventories	23	**2,541,199**	3,293,292
Trade receivables	24	**5,824,206**	7,872,681
Factored trade receivables	25	**271,167**	371,380
Notes receivable		**17,492**	95,546
Prepayments, deposits and other receivables	26	**1,600,323**	1,492,170
Due from related companies	42(d)	**296,680**	62,382
Tax recoverable		**3,734**	11,111
Derivative financial instruments	31	**93,873**	419,240
Pledged deposits	27	**1,028,340**	1,914,380
Cash and cash equivalents	27	**565,707**	473,391
Total current assets		**12,242,721**	16,005,573
CURRENT LIABILITIES			
Interest-bearing bank borrowings	28	**2,803,213**	3,940,791
Trade and notes payables	29	**4,789,906**	5,166,744
Bank advances on factored trade receivables	25	**271,167**	371,380
Other payables and accruals	30	**3,283,900**	4,953,416
Derivative financial instruments	31	**269,776**	49,391
Provision for warranties	32	**422,912**	462,500
Due to related companies	42(d)	**143,978**	416,086
Tax payable		**32,833**	47,717
Total current liabilities		**12,017,685**	15,408,025
NET CURRENT ASSETS		**225,036**	597,548
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,589,302**	4,288,131

continued/...

31 December 2015

	Notes	2015 HK$'000	2014 HK$'000 (Restated)
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,589,302**	4,288,131
NON-CURRENT LIABILITIES			
Retirement indemnities	33	**5,197**	4,827
Long service medals	34	**2,044**	2,017
Interest-bearing bank borrowings	28	**178,268**	–
Due to a related company	42(d)	**63,677**	–
Deferred tax liabilities	35	**18,096**	102,205
Other non-current liabilities		**283,683**	–
Total non-current liabilities		**550,965**	109,049
Net assets		**4,038,337**	4,179,082
EQUITY			
Equity attributable to owners of the parent			
Share capital	36	**1,267,799**	1,220,766
Shares held for Share Award Scheme	38	**(6,512)**	(9,629)
Reserves	39	**2,691,327**	2,877,711
		3,952,614	4,088,848
Non-controlling interests		**85,723**	90,234
Total equity		**4,038,337**	4,179,082

LI Dongsheng
Director

GUO Aiping
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2015

	Share capital HK$'000 (note 36)	Share premium account# HK$'000 (note 36)	Shares held for Share Award Scheme HK$'000 (note 38)	Awarded share reserve HK$'000 (note 38)	Share option reserve HK$'000 (note 37)	Hedging reserve HK$'000 (note 31)	Contributed surplus HK$'000 (note 39)	Statutory reserve HK$'000 (note 39)	Available-for-sale investment revaluation reserve HK$'000 (note 22)	Other reserve HK$'000 (note 39)	Exchange fluctuation reserve HK$'000	Retained profits# HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
	Attributable to owners of the parent														
At 1 January 2014	1,162,460	417,664	(65,786)	38,137	115,744	(17,435)	232,555	293,075	-	(130,232)	362,349	500,866	2,909,397	3,657	2,913,054
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	1,092,507	1,092,507	15,033	1,107,540
Other comprehensive income/(loss) for the year:															
Changes in fair value of available-for-sale investments, net of tax	-	-	-	-	-	-	-	-	(5,938)	-	-	-	(5,938)	-	(5,938)
Cash flow hedges, net of tax	-	-	-	-	-	243,443	-	-	-	-	-	-	243,443	-	243,443
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	-	-	(155,910)	-	(155,910)	-	(155,910)
Total comprehensive income for the year	-	-	-	-	-	243,443	-	-	(5,938)	-	(155,910)	1,092,507	1,174,102	15,033	1,189,135
Exercise of share options	51,440	173,433	-	-	(63,687)	-	-	-	-	-	-	-	161,186	-	161,186
Issue of new shares under Share Award Scheme	6,866	14,749	-	(21,615)	-	-	-	-	-	-	-	-	-	-	-
Reclassification of lapsed share options	-	636	-	-	(636)	-	-	-	-	-	-	-	-	-	-
Equity-settled share option arrangements	-	-	-	-	35,499	-	-	-	-	-	-	-	35,499	-	35,499
Share Award Scheme arrangements	-	-	-	82,583	-	-	-	-	-	-	-	-	82,583	-	82,583
Reclassification of vested awarded shares	-	24,494	56,157	(80,651)	-	-	-	-	-	-	-	-	-	-	-
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(26,846)	(26,846)
Addition of non-controlling interests	-	-	-	-	-	-	-	-	-	244	-	-	244	98,390	98,634
Transfer from retained profits	-	-	-	-	-	-	-	69,574	-	-	-	(69,574)	-	-	-
Final 2013 dividend	-	-	-	-	-	-	-	-	-	-	-	(119,183)	(119,183)	-	(119,183)
Interim 2014 dividend	-	-	-	-	-	-	-	-	-	-	-	(154,980)	(154,980)	-	(154,980)
At 31 December 2014	1,220,766	630,976*	(9,629)	18,454*	86,920*	226,008*	232,555*	362,649*	(5,938)*	(129,988)*	206,439*	1,249,636*	4,088,848	90,234	4,179,082

Retained profits and share premium account have been adjusted for the proposed final 2014 dividend in accordance with current year's presentation, which is described in note 5 to the financial statements.

continued/...

Year ended 31 December 2015

	Attributable to owners of the parent														
	Share capital HK$'000 (note 36)	Share premium account HK$'000 (note 36)	Shares held for Share Award Scheme HK$'000 (note 38)	Awarded share reserve HK$'000 (note 38)	Share option reserve HK$'000 (note 37)	Hedging reserve HK$'000 (note 31)	Contributed surplus HK$'000 (note 39)	Statutory reserve HK$'000 (note 39)	Available-for-sale investment revaluation reserve HK$'000 (note 22)	Other reserve HK$'000 (note 39)	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2015	1,220,766	630,976	(9,629)	18,454	86,920	226,008	232,555	362,649	(5,938)	(129,988)	206,439	1,249,636	4,088,848	90,234	4,179,082
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	1,056,991	1,056,991	493	1,057,484
Other comprehensive income/(loss) for the year:															
Share of other comprehensive income of joint ventures	-	-	-	-	-	-	-	-	-	25	-	-	25	-	25
Changes in fair value of available-for-sale investments, net of tax	-	-	-	-	-	-	-	-	122,107	-	-	-	122,107	-	122,107
Cash flow hedges, net of tax	-	-	-	-	-	(335,311)	-	-	-	-	-	-	(335,311)	-	(335,311)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	-	-	(680,237)	-	(680,237)	-	(680,237)
Total comprehensive income for the year	-	-	-	-	-	(335,311)	-	-	122,107	25	(680,237)	1,056,991	163,575	493	164,068
Exercise of share options	37,869	157,675	-	-	(54,425)	-	-	-	-	-	-	-	141,119	-	141,119
Issue of new shares under Share Award Scheme	9,164	27,455	-	(36,619)	-	-	-	-	-	-	-	-	-	-	-
Reclassification of lapsed share options	-	165	-	-	(165)	-	-	-	-	-	-	-	-	-	-
Equity-settled share option arrangements	-	-	-	-	21,044	-	-	-	-	-	-	-	21,044	-	21,044
Share Award Scheme arrangements	-	-	-	30,083	-	-	-	-	-	-	-	-	30,083	-	30,083
Reclassification of vested awarded shares	-	(3,474)	8,833	(5,359)	-	-	-	-	-	-	-	-	-	-	-
Repurchase of shares for Share Award Scheme	-	-	(5,716)	-	-	-	-	-	-	-	-	-	(5,716)	-	(5,716)
Deemed disposal of investment in a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	(572)	(572)
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,432)	(4,432)
Transfer from retained profits	-	-	-	-	-	-	-	9,904	-	-	-	(9,904)	-	-	-
Final 2014 dividend	-	(91,467)	-	-	-	-	-	-	-	-	-	(233,654)	(325,121)	-	(325,121)
Interim 2015 dividend	-	(161,218)	-	-	-	-	-	-	-	-	-	-	(161,218)	-	(161,218)
At 31 December 2015	1,267,799	560,112*	(6,512)	6,559*	53,374*	(109,303)*	232,555*	372,553*	116,169*	(129,963)*	(473,798)*	2,063,069*	3,952,614	85,723	4,038,337

* These reserve accounts comprise the consolidated reserves of HK$2,691,327,000 (31 December 2014: HK$2,877,711,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**1,112,818**	1,149,016
Adjustments for:			
Share of losses of joint ventures	21	**9,191**	–
Share of profits and losses of associates	20	**13,499**	364
Bank interest income	8	**(61,847)**	(68,833)
Dividend income from available-for-sale investments	8	**(731)**	(9,149)
Depreciation of property, plant and equipment	9	**252,047**	185,218
Depreciation of investment properties	9	**2,235**	1,677
Recognition of prepaid land lease payments	9	**2,059**	2,106
Amortisation of computer software, intellectual property and ALCATEL brand license	9	**64,458**	48,437
Amortisation of deferred development costs	9	**1,400,960**	1,117,146
(Gain)/loss on disposal of items of property, plant and equipment	9	**(2,333)**	589
Equity-settled share option expense	9	**13,665**	17,808
Equity-settled Share Award Scheme expense	9	**17,831**	32,367
Gain on deemed disposal of investment in an associate	9	**–**	(1,755)
Finance costs	10	**140,834**	99,513
Gain on deemed disposal of investment in a subsidiary	9	**(13,270)**	–
		2,951,416	2,574,504
Decrease/(increase) in inventories		**547,763**	(749,957)
Decrease/(increase) in trade receivables		**1,473,805**	(2,910,061)
Decrease in factored trade receivables		**100,213**	113,476
Decrease/(increase) in notes receivable		**78,054**	(61,302)
Increase in prepayments, deposits and other receivables		**(104,954)**	(266,173)
Decrease/(increase) in derivative financial instruments, net		**178,550**	(143,956)
Increase in amounts due from related companies		**(238,479)**	(10,861)
(Decrease)/increase in trade and notes payables		**(129,668)**	1,710,849
(Decrease)/increase in other payables and accruals		**(1,607,531)**	1,735,431
(Decrease)/increase in provision for warranties		**(14,740)**	184,022
(Decrease)/increase in amounts due to related companies		**(360,517)**	80,838
Increase/(decrease) in retirement indemnities	33	**878**	(254)
Increase/(decrease) in long service medals		**238**	(158)
Increase in other non-current liabilities		**283,683**	–
Cash generated from operations		**3,158,711**	2,256,398
Tax paid		**(108,736)**	(83,027)
Interest paid		**(147,835)**	(90,146)
Net cash flows from operating activities		**2,902,140**	2,083,225

continued/...

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Net cash flows from operating activities		**2,902,140**	2,083,225
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(584,070)**	(683,958)
Additions to other intangible assets		**(1,759,694)**	(1,470,579)
Proceeds from disposal of prepaid land lease payments and affiliated buildings		**–**	1,306
Proceeds from disposal of items of property, plant and equipment		**7,886**	590
Proceeds from disposal of other intangible assets		**3,758**	309
Purchase of available-for-sale investments		**(11,636)**	(131,364)
Investment in an associate		**–**	(46,532)
Investments in joint ventures		**(18,791)**	–
Dividends received from available-for-sale investments		**4,912**	4,975
Interest received		**77,021**	60,976
Net cash flows used in investing activities		**(2,280,614)**	(2,264,277)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**141,119**	161,186
Addition of non-controlling interests		**–**	98,634
Acquisition of non-controlling interests		**–**	(636)
Decrease/(increase) in pledged deposits		**886,040**	(216,352)
Purchase of shares held for Share Award Scheme		**(5,716)**	–
Decrease in bank advances on factored trade receivables		**(100,213)**	(113,476)
New bank loans		**8,039,741**	10,356,809
Repayments of bank loans		**(8,999,058)**	(8,817,058)
Repayments of loans from related companies		**–**	(761,193)
Dividends paid to non-controlling shareholders		**(4,432)**	–
Dividends paid		**(486,335)**	(274,161)
Net cash flows (used in)/from financing activities		**(528,854)**	433,753
NET INCREASE IN CASH AND CASH EQUIVALENTS		**92,672**	252,701
Cash and cash equivalents at beginning of year		**473,391**	142,008
Effect of foreign exchange rate changes, net		**(356)**	78,682
CASH AND CASH EQUIVALENTS AT END OF YEAR		**565,707**	473,391
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position	27	**565,707**	473,391

1. CORPORATE AND GROUP INFORMATION

TCL Communication Technology Holdings Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands on 26 February 2004 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The principal office of the Company is located at Rooms 1910-12A, Tower 3, China Hong Kong City, 33 Canton Road, Tsimshatsui, Kowloon, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in the research and development, manufacture and sale of mobile phones and other products and rendering of services.

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, 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 principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
TCL Mobile Communication (HK) Company Limited	Hong Kong	HK$5,000,000	–	100%	Distribution of mobile handsets and components
Huizhou TCL Mobile Communication Co., Limited ("Huizhou TCL Mobile") (note (i))	The PRC/ Mainland China	US$199,600,000	–	100%	Manufacture and distribution of mobile handsets and rendering of services
TCT Mobile Europe SAS ("TCT SAS")	France	EUR23,031,072	–	100%	Development and distribution of mobile handsets
TCT Mobile SA DE CV	Mexico	MXP1,299,103,498	–	100%	Distribution of mobile handsets
TCT Mobile International Limited	Hong Kong	HK$5,000,000	–	100%	Development and distribution of mobile handsets

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and business	Issued ordinary/registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
JRD Communication (Shenzhen) Limited (note (i))	The PRC/ Mainland China	US$10,000,000	–	100%	Software development for mobile handsets
"TMC Rus" Limited Liability Company	Russia	RUB10,000	–	100%	Distribution of mobile handsets
JRD Communication Technology (Shanghai) Limited (note (i))	The PRC/ Mainland China	US$10,000,000	–	100%	Software development for mobile handsets
TCL Communication Technology (Chengdu) Limited (note (i))	The PRC/ Mainland China	US$12,000,000	–	100%	Software development for mobile handsets
TCL Communication (Ningbo) Limited (note (i))	The PRC/ Mainland China	US$3,000,000	–	100%	Software development for mobile handsets
TCT Mobile-Telefones LTDA.	Brazil	BRL104,088,757	–	100%	Distribution of mobile handsets
TCT Mobile (US) Inc.	United States	US$1	–	100%	Distribution of mobile handsets
Huizhou TCL Communication Electronic Limited	The PRC/ Mainland China	RMB30,000,000	–	100%	Development, manufacture and distribution of fixed line telephone products
TCT Mobile Overseas Limited	Hong Kong	HK$1	–	100%	Distribution of mobile handsets
TCL Mobile Communication Technology (Ningbo) Limited (note (i))	The PRC/ Mainland China	US$5,000,000	–	100%	Software development for mobile handsets

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and business	Issued ordinary/registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Honpe Technology (Shenzhen) Co. Ltd (note (i))	The PRC/ Mainland China	HK$7,525,198	–	51%	Development and distribution of moulds for mobile handsets and other products
Shenzhen TCL Cloud Technology Co Ltd ("Shenzhen TCL Cloud")	The PRC/ Mainland China	RMB60,000,000	–	100%	Software development for mobile handsets
Huizhou TCL Cloud Technology Co Ltd ("Huizhou TCL Cloud")	The PRC/ Mainland China	RMB40,000,000	–	100%	Software development for mobile handsets
JRD Technology (Beijing) Ltd	The PRC/ Mainland China	RMB30,000,000	–	100%	Software development for mobile handsets

Note:

(i) These are wholly-foreign-owned enterprises under the PRC law.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("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, except for the forward currency contracts, interest rate swaps and listed equity investments which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$" or "HKD") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;
(b) rights arising from other contractual arrangements; and
(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries and a trust ("the Share Award Scheme Trust"), a controlled structured entity, are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2. BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

The board of directors ("Board") has approved and further amended a share award scheme (the "Share Award Scheme") to provide incentives to employees, advisers, consultants, agents, contractors, clients or suppliers of the Group and employees or officers of any affiliated company ("New Expanded Scope of Participants") and to retain and encourage New Expanded Scope of Participants to contribute to the continual operation and development of the Group. Pursuant to the rules of the Share Award Scheme, the Group has set up the Share Award Scheme Trust for the purpose of administering the Share Award Scheme and holding the awarded shares before they vest. As the Group has the power to govern the financial and operating policies of the Share Award Scheme Trust and derives benefits from the contributions of the New Expanded Scope of Participants who have been awarded the awarded shares through their continued relationship with the Group, the Group is required to consolidate the Share Award Scheme Trust under HKFRS 10 *Consolidated Financial Statements*.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards for the first time for the current year'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 defined benefit plan the Group operates is not independent of the number of years of employee service.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(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 year 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 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 year 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 arrangements during the year.

- 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.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(c) The *Annual Improvements to HKFRSs 2011-2013*: (continued)

- 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 there was no acquisition of investment properties during the year.

In addition, the Company has adopted the amendments to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "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 financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

4. 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 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

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

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 upon adoption and expects that the adoption of HKFRS 9 will have an impact on the classification and measurement of the Group's financial assets.

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.

4. 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 or amortisation of its non-current assets.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (other than business combinations of entities under common control) and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (other than business combinations of entities under common control) and goodwill (continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Business combinations of entities under common control

Business combinations of entities under common control are accounted for using the pooling of interests method with no restatement of financial information in the consolidated financial statements for periods prior to the completion of the combination under common control. Under the pooling of interests method, the assets and liabilities of the combining entities are reflected at their existing carrying values at the date of combination. No amount is recognised in respect of goodwill. The excess of the acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, which, instead, is recorded as part of equity.

Fair value measurement

The Group measures forward currency contracts, interest rate swaps and listed equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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, financial assets and other non-current 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 the statement of 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, but 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 the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(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 the statement of 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 the 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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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:

Buildings	2.4% to 9.0%
Plant and machinery	9.0% to 18.0%
Furniture, fixtures, office equipment and research and development equipment	18.0% to 50.0%
Motor vehicles	15.0% to 22.5%

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.

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 the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured and stated at cost, including transaction costs, less accumulated depreciation and any impairment losses.

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

Buildings	2.4% to 9.0%
Prepaid land lease payments	1.4% to 2.0%

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the economic useful 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.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

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 it 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.

Deferred development costs are stated at cost less any impairment losses and are amortised on a systematic basis with reference to projected sales volume, upon future sales volume of related products.

Computer software

Purchased computer software is stated at cost, less any impairment losses, and is amortised on the straight-line basis over its estimated useful lives of 1-2 years.

Intellectual property

Purchased intellectual property with finite useful life is stated at cost, less any impairment losses, and is amortised on the straight-line basis over its estimated useful lives of 6-11 years.

Purchased intellectual property with indefinite useful life is stated at cost, less any identified impairment losses.

Golf club membership

Golf club membership has an indefinite useful life and is stated at cost, less any identified impairment losses.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill) (continued)

ALCATEL brand license

ALCATEL brand license is stated at cost, less any impairment losses, and is amortised on the straight-line basis over its contracted useful life of 20 years.

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 the statement of 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 the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised 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 financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. 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 recorded 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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as other income and gains or other expenses in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Loans and receivables

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 rate method less any allowance for impairment. 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 recognised in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income and gains, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other income and gains. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income and gains in accordance with the policies set out for “Revenue recognition” below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

5. 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 Group's consolidated 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 asset. 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.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is 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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether 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 through the use of an allowance account and the loss is recognised in the statement of 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.

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 other expenses in the statement of profit or loss.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

If there is objective evidence that an impairment loss has been incurred on an unquoted available-for-sale financial investment that is not carried at fair value because its fair value cannot be reliably measured the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and notes payables, bank advances on factored trade receivables, other payables, amounts due to related companies, derivative financial instruments and interest-bearing bank borrowings.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Loans and borrowings

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 the statement of 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 the statement of 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 the statement of profit or loss.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently 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.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or
- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

Initial recognition and subsequent measurement (continued)

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedges

The change in the fair value of a hedging derivative is recognised in the statement of profit or loss as other income and gains or other expenses. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying amount of the hedged item and is also recognised in the statement of profit or loss as other income and gains or other expenses.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through the statement of profit or loss over the remaining term of the hedge using the effective interest rate method. Effective interest rate amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value is recognised immediately in the statement of profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the statement of profit or loss. The changes in the fair value of the hedging instrument are also recognised in the statement of profit or loss.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the hedging reserve, while any ineffective portion is recognised immediately in the statement of profit or loss.

Amounts recognised in other comprehensive income are transferred to the statement of profit or loss when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised in other comprehensive income are transferred to the statement of profit or loss in the same period or periods during which the asset acquired or liability assumed affects the statement of profit or loss.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, the amounts previously recognised in other comprehensive income remain in other comprehensive income until the forecast transaction occurs or the foreign currency firm commitment is met.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average or standard costing 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 consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, 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, and assets similar in nature to cash, 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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions (continued)

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the 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 finance costs in the statement of 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 the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the 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 goodwill or 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, associates and joint ventures, when 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.

5. 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, associates and joint ventures, 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 the 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 on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an 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 a reduced depreciation charge.

5. 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;
(b) from the rendering of services, upon provision of the relevant services;
(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset;
(d) dividend income, when the shareholders' right to receive payment has been established; and
(e) rental income, on a time proportion basis over the lease terms.

Employee benefits

Share-based payments

The Company operates the Share Option Scheme and the Share Award Scheme (as defined in note 37 and note 38 to the financial statement) for the purpose of providing incentives and rewards to eligible participants (including employees) who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value of share options is determined by an external valuer using a binomial model, further details of which are given in note 37 to the financial statements.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Share-based payments (continued)

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Share-based payments (continued)

The dilutive effect of outstanding options and awarded shares is reflected as additional share dilution in the computation of earnings per share.

Shares held for the Share Award Scheme

As disclosed in note 38 to the financial statements, the Group has set up the Share Award Scheme Trust for the Share Award Scheme, where the Share Award Scheme Trust purchases shares issued by the Company, the consideration paid by the Company, including any directly attributable incremental costs, is presented as "shares held for Share Award Scheme" and deducted from the Group's equity. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Central pension scheme

Subsidiaries operating in Mainland China have participated in the central pension scheme (the "CPS") operated by the PRC government for all of their employees. These PRC subsidiaries are required to contribute a certain percentage of their covered payroll to the CPS to fund the benefits. The only obligation of the Group with respect to the CPS is to pay the ongoing required contributions under the CPS. Contributions under the CPS are charged to the statement of profit or loss as they become payable in accordance with the rules of the CPS.

Mandatory Provident Fund

The Company's subsidiaries, incorporated in Hong Kong, operate a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. 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 employer contributions vest fully with the employees when contributed into the MPF Scheme except for the employer voluntary contributions, which are refunded to the Company's subsidiaries which are incorporated in Hong Kong when an employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Retirement indemnities

TCT SAS, a subsidiary of the Company incorporated in France, operates a defined contribution plan and a defined benefit pension plan (the "Pension Plan"). For the defined contribution plan, TCT SAS is not liable for any legal or constructive obligations under the contribution plan beyond the contributions paid, and no provision as such is made. For the pension plan, corresponding to retirement indemnities relating to TCT SAS's employees, liabilities and prepaid expenses are determined as follows:

- using the projected unit credit method, with the projected final salary, which takes into consideration each period of service giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Actuarial assumptions comprise mortality, rates of employee turnover and projection of future salary levels; and

- actuarial gains and losses are recognised as income or expenses when the net cumulative unrecognised actuarial gains and losses for the pension plan at the end of the previous period exceed 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognised over the expected average remaining service periods of the employees participating in the pension plan.

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

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. In prior years, final dividends proposed by the directors were classified as a separate allocation of share premium account or retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. Following the implementation of the Hong Kong Companies Ordinance (Cap. 622), proposed final dividends are disclosed in the notes to the financial statements.

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

These financial statements are presented in HKD, which is the Company's functional currency. 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 overseas subsidiaries, joint ventures and associates are currencies other than the HKD. As at the end of the reporting period, the assets and liabilities of these entities are translated into HKD at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into HKD 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.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into HKD at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries, which arise throughout the year are translated into HKD at the weighted average exchange rates for the year.

6. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires 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.

Judgements

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

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

6. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the 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:

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other 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.

Warranty provisions

The Group generally offers warranties for its products for 12 to 24 months. Management estimates the related provisions for future warranty claims based on historical warranty claim information, as well as recent trends that might suggest that past cost information may differ from future claims.

As the Group is continually upgrading its product designs and launching new models, it is possible that the past experience of the level of repairs and returns is not indicative of future claims that it will receive in respect of past sales. Any increase or decrease in the actual claims would affect profit or loss in future years. As at 31 December 2015, the carrying amount of warranty provisions was HK$422,912,000 (31 December 2014: HK$462,500,000). Further details are included in note 32 to the financial statements.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2015 and 31 December 2014 was HK$253,954,000. Further details are given in note 19 to the financial statements.

6. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Provision against obsolete and slow-moving inventories

The Group reviews the condition of its inventories and makes provisions 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 the reporting period and makes provisions against obsolete and slow-moving items. Management reassesses the estimation at the end of the 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 impact on the carrying value of inventories and the write-down of inventories recognised in the periods in which such estimates have been changed. The carrying amount of inventories at 31 December 2015 was HK$2,541,199,000 (31 December 2014: HK$3,293,292,000). Further details are given in note 23 to the financial statements.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the unused tax losses and other deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying amount of deferred tax assets at 31 December 2015 was HK$276,479,000 (31 December 2014: HK$297,641,000). The amount of unrecognised tax losses at 31 December 2015 was HK$1,709,666,000 (31 December 2014: HK$2,241,653,000). Further details are included in note 35 to the financial statements.

6. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Development costs

Development costs are capitalised in accordance with the accounting policy for research and development costs in note 5 to the financial statements. Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. At 31 December 2015, the best estimate of the carrying amount of deferred development costs was HK$1,028,894,000 (31 December 2014: HK$885,379,000). Further details are included in note 18 to the financial statements.

Impairment of available-for-sale investments

The Group classifies certain assets as available for sale and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the statement of profit or loss. At 31 December 2015, the carrying amount of available-for-sale investments was HK$352,591,000 (31 December 2014: HK$227,738,000). Further details are included in note 22 to the financial statements.

7. OPERATING SEGMENT INFORMATION

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

Geographical information

(a) Revenue from external customers

	2015	2014
	HK$'000	HK$'000
Latin America	**8,974,946**	10,076,276
Europe	**7,246,034**	6,795,507
North America	**6,688,945**	5,793,985
Middle East and Africa	**2,959,486**	2,935,996
China	**1,804,382**	2,889,572
Asia Pacific	**883,792**	2,199,718
	28,557,585	30,691,054

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

7. OPERATING SEGMENT INFORMATION (continued)

Geographical information (continued)

(b) Non-current assets

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

Information about major customers

For the year ended 31 December 2015, no revenue from a single customer accounted for 10% or more of the total revenue of the Group.

For the year ended 31 December 2014, revenue of HK$3,895,969,000 was derived from a single customer in North America, which accounted for more than 10% of the total revenue of the Group.

8. REVENUE, OTHER INCOME AND GAINS

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

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

	2015 HK$'000	2014 HK$'000
Revenue		
Sale of mobile phones and other products and rendering of services	**28,557,585**	30,691,054
Other income and gains		
Bank interest income	**61,847**	68,833
Gross rental income	**15,607**	10,068
Subsidy income*	**94,437**	84,451
Value-added tax ("VAT") refunds**	**350,155**	353,507
Processing income	**–**	11,728
Exchange gain, net	**225,074**	–
Gain on deemed disposal of investment in an associate (note 9)	**–**	1,755
Gain on deemed disposal of investment in a subsidiary (note 9)	**13,270**	–
Gain on disposal of items of property, plant and equipment	**2,333**	–
Dividend income from available-for-sale investments	**731**	9,149
Others	**40,880**	42,631
	804,334	582,122

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

** During the years ended 31 December 2015 and 2014, several subsidiaries of the Company in the PRC, being designated as software enterprises, were entitled to VAT refunds at the effective VAT rates in excess of 3% after the payment of statutory net output VAT of 17%.

9. PROFIT BEFORE TAX

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

	Notes	2015 HK$'000	2014 HK$'000
Cost of inventories sold		**22,525,437**	24,773,502
Depreciation of property, plant and equipment	15	**252,047**	185,218
Depreciation of investment properties	16	**2,235**	1,677
Recognition of prepaid land lease payments	17	**2,059**	2,106
Amortisation of computer software, intellectual property and ALCATEL brand license	18	**64,458**	48,437
Research and development costs:			
Deferred expenditure amortised	18	**1,400,960**	1,117,146
Current year expenditure		**345,057**	362,003
		1,746,017	1,479,149
TCL brand management fee	42(a)	**20,672**	43,415
Minimum lease payments under operating leases		**176,716**	110,653
Auditors' remuneration		**8,483**	8,468
Employee benefit expense (including directors' and chief executive's remuneration in note 11)*:			
Salaries and wages		**2,041,174**	1,944,067
Equity-settled expenses:			
Share options		**13,665**	17,808
Share Award Scheme		**17,831**	32,367
Pension scheme contributions (including the Pension Plan in note 33)		**229,844**	191,163
		2,302,514	2,185,405
Exchange (gain)/loss, net**		**(225,074)**	23,999
Including: Exchange gain on non-hedging derivative financial instruments	31	**(2,890)**	(233,875)
Ineffectiveness of cash flow hedges	31	**(126,909)**	(103,675)
Finance costs of loans hedged by interest rate swaps	31	**1,605**	3,607
Impairment of trade receivables	24	**60,505**	12,516
Impairment of other receivables recognised/(reversed)	26	**8,720**	(1,985)
Product warranty provisions	32	**525,235**	666,775
(Gain)/loss on disposal of items of property, plant and equipment		**(2,333)**	589
Gain on deemed disposal of investment in an associate	8	**–**	(1,755)
Gain on deemed disposal of investment in a subsidiary	8	**(13,270)**	–
Write-down of inventories to net realisable value		**90,071**	41,248

* Including employee benefit expense charged to direct labour costs, overhead expenses and research and development costs.

** Included in "other income and gains" and "other expenses" in the consolidated statement of profit or loss.

10. FINANCE COSTS

An analysis of finance costs is as follows:

	2015 HK$'000	2014 HK$'000
Interest on loans	**123,311**	87,779
Interest on discounted notes and factored trade receivables	**17,523**	11,734
	140,834	99,513

11. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Directors' and chief executive's remuneration for the year, 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:

	2015 HK$'000	2014 HK$'000
Fees	**981**	1,290
Other emoluments:		
Salaries, allowances and benefits in kind	**5,906**	3,333
Share-based payment benefit expenses	**7,632**	4,218
Pension scheme contributions	**227**	151
	14,746	8,992

During the years ended 31 December 2015 and 2014, certain directors and the chief executive were granted share options (the "Share Options") and awarded shares (the "Awarded Shares") of the Company. The grant of Share Options and Awarded Shares was in respect of their services to the Group, its further details are disclosed in the "Share Option Scheme" and "Share Award Scheme" set out in notes 37 and 38 to the financial statements respectively. The fair value of such Share Options and Awarded Shares, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

11. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (continued)

(a) Independent non-executive directors

2015	**Fees HK$'000**	**Share-based payment benefit expenses HK$'000**	**Total remuneration HK$'000**
Mr. LAU Siu Ki	**207**	**82**	**289**
Mr. LOOK Andrew	**207**	**82**	**289**
Mr. KWOK Hoi Sing	**207**	**82**	**289**
	621	**246**	**867**

2014	Fees HK$'000	Share-based payment benefit expenses HK$'000	Total remuneration HK$'000
Mr. LAU Siu Ki	180	21	201
Mr. LOOK Andrew	180	21	201
Mr. KWOK Hoi Sing	180	21	201
	540	63	603

There were no other emoluments payable to the independent non-executive directors during the year (2014: Nil).

11. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (continued)

(b) Executive directors, non-executive directors, the chief executive and five highest paid employees

2015	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Share-based payment benefit expenses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Executive directors:					
Mr. LI Dongsheng	60	-	1,821	3	1,884
Mr. GUO Aiping (dual appointment as chief executive)	60	2,316	3,449	18	5,843
Mr. WANG Jiyang	60	1,550	1,393	60	3,063
Mr. Nicolas Daniel Bernard ZIBELL* (appointed on 15 July 2015)	-	2,040	24	146	2,210
Non-executive directors:					
Mr. HUANG Xubin	60	-	542	-	602
Mr. YAN Xiaolin (resigned on 15 July 2015)	60	-	124	-	184
Ms. XU Fang (resigned on 21 May 2015)	47	-	10	-	57
Mr. LIAO Qian** (appointed on 21 May 2015)	13	-	23	-	36
	360	5,906	7,386	227	13,879

* The remuneration for Mr. Nicolas Daniel Bernard ZIBELL as disclosed here cover the period from 15 July 2015 to 31 December 2015.

** The remuneration for Mr. LIAO Qian as disclosed here cover the period from 21 May 2015 to 31 December 2015.

11. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (continued)

(b) Executive directors, non-executive directors, the chief executive and five highest paid employees (continued)

2014

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Share-based payment benefits expenses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Executive directors:					
Mr. LI Dongsheng	130	–	738	6	874
Mr. GUO Aiping (dual appointment as chief executive)	130	2,060	1,476	33	3,699
Mr. WANG Jiyang	130	1,273	1,530	112	3,045
Non-executive directors:					
Mr. HUANG Xubin	120	–	172	–	292
Mr. YAN Xiaolin	120	–	67	–	187
Ms. XU Fang	120	–	172	–	292
	750	3,333	4,155	151	8,389

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

During the year, three (2014: two) directors including the chief executive were counted in the five highest paid employees, details of whose remuneration are set out above.

11. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (continued)

(b) Executive directors, non-executive directors, the chief executive and five highest paid employees (continued)

Details of the remuneration for the year of the remaining two (2014: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2015 **HK$'000**	2014 HK$'000
Salaries, allowances and benefits in kind	**3,157**	6,362
Share-based payment benefit expenses	**1,543**	3,457
Pension scheme contributions	**1,177**	1,276
	5,877	11,095

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees **2015**	2014
HK$1,500,001 to HK$2,000,000	**–**	1
HK$2,500,001 to HK$3,000,000	**1**	–
HK$3,000,001 to HK$3,500,000	**1**	–
HK$3,500,001 to HK$4,000,000	**–**	1
HK$5,500,001 to HK$6,000,000	**–**	1
	2	3

During the year, Awarded Shares were granted to Nil (2014: two) non-director and non-chief executive highest paid employees in respect of their services to the Group. The fair values of Awarded Shares, which have been recognised in the statement of profit or loss over the vesting period, were determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

12. INCOME TAX EXPENSE

No Hong Kong profits tax has been provided (2014: Nil) since no assessable profit arose in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2015 **HK$'000**	2014 HK$'000
Current		
Charge for the year:		
PRC	**57,360**	36,781
France	**11,351**	14,895
Mexico	**9,806**	22,551
Russia	**5,467**	4,115
Italy	**2,854**	827
The United States	**20,721**	21,134
(Overprovision)/underprovision in prior years	**(5,265)**	19,849
	102,294	120,152
Deferred (note 35)	**(46,960)**	(78,676)
Tax charge for the year	**55,334**	41,476

12. INCOME TAX EXPENSE (continued)

A reconciliation of the 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 rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	2015		2014	
	HK$'000	**%**	HK$'000	%
Profit before tax	**1,112,818**		1,149,016	
Tax at the statutory tax rates	**100,255**	**9.0**	331,527	28.9
Lower tax rates for specific provinces or enacted by local authorities	**(154,748)**	**(13.9)**	(274,599)	(23.9)
Effect on opening deferred tax of increase in rates	**–**	**–**	(16,410)	(1.4)
Adjustment in respect of current tax of previous periods	**(5,264)**	**(0.5)**	19,849	1.7
Income not subject to tax	**(140,007)**	**(12.6)**	(77,612)	(6.8)
Expenses not deductible for tax	**270,668**	**24.3**	103,687	9.0
Tax effect of expenses that are entitled to additional deduction	**(79,509)**	**(7.1)**	(41,926)	(3.6)
Tax losses utilised from previous periods	**(174,535)**	**(15.7)**	(95,996)	(8.4)
Tax losses not recognised	**246,379**	**22.2**	101,374	8.8
Others*	**(7,905)**	**(0.7)**	(8,418)	(0.7)
Tax charge at the Group's effective rates	**55,334**	**5.0**	41,476	3.6

* Representing deferred tax asset recognised from unused tax losses arising from a subsidiary in France as management considered the subsidiary had commenced profit-making for some time to the extent that it is probable that taxable profit will be available against which such tax losses can be utilised.

13. DIVIDENDS

	2015 **HK$'000**	2014 HK$'000
Interim – 12.8 HK cents (2014: 12.8 HK cents) per ordinary share	**161,218**	154,980
Proposed final – 21.0 HK cents (2014: 26.0 HK cents) per ordinary share	**266,395**	318,358
	427,613	473,338

The proposed final dividend for the year is subject to the approval of the Company's shareholders (the "Shareholders") at the forthcoming annual general meeting.

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,249,373,402 (2014: 1,192,937,333) in issue during the year.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all the dilutive potential ordinary shares into ordinary shares.

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

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

	2015 HK$'000	2014 HK$'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	**1,056,991**	1,092,507

Shares	**Number of shares** **2015**	 2014
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,249,373,402**	1,192,937,333
Effect of dilution – weighted average number of ordinary shares:		
Share Options	**16,918,000**	39,437,792
Awarded Shares	**3,314,183**	5,646,830
	20,232,183	45,084,622
	1,269,605,585	1,238,021,955

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Plant and machinery HK$'000	Furniture, fixtures, office equipment and research and development equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2015						
At 31 December 2014 and at 1 January 2015:						
Cost	546,944	1,392,615	471,636	17,042	27,432	2,455,669
Accumulated depreciation and impairment	(37,235)	(673,077)	(293,834)	(12,494)	-	(1,016,640)
Net carrying amount	509,709	719,538	177,802	4,548	27,432	1,439,029
At 1 January 2015, net of accumulated depreciation and impairment	509,709	719,538	177,802	4,548	27,432	1,439,029
Additions	224,329	155,654	117,746	236	216,165	714,130
Disposals	-	(1,520)	(3,836)	(198)	-	(5,554)
Depreciation provided during the year (note 9)	(21,813)	(148,318)	(80,391)	(1,525)	-	(252,047)
Transfers	(43,293)	30,956	20,244	10	(75,805)	(67,888)
Exchange realignment	(35,632)	(43,683)	(16,283)	(241)	(7,173)	(103,012)
At 31 December 2015, net of accumulated depreciation and impairment	633,300	712,627	215,282	2,830	160,619	1,724,658
At 31 December 2015:						
Cost	689,590	1,500,146	498,612	15,059	160,619	2,864,026
Accumulated depreciation and impairment	(56,290)	(787,519)	(283,330)	(12,229)	-	(1,139,368)
Net carrying amount	633,300	712,627	215,282	2,830	160,619	1,724,658

15. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings HK$'000	Plant and machinery HK$'000	Furniture, fixtures, office equipment and research and development equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2014						
At 1 January 2014:						
Cost	260,843	1,012,775	366,274	16,410	172,613	1,828,915
Accumulated depreciation and impairment	(23,225)	(612,443)	(242,518)	(10,130)	-	(888,316)
Net carrying amount	237,618	400,332	123,756	6,280	172,613	940,599
At 1 January 2014, net of accumulated depreciation and impairment	237,618	400,332	123,756	6,280	172,613	940,599
Additions	878	393,137	105,859	1,028	222,336	723,238
Disposals	-	(160)	(865)	(154)	-	(1,179)
Depreciation provided during the year (note 9)	(14,079)	(99,661)	(68,935)	(2,543)	-	(185,218)
Transfers	284,813	26,141	21,050	-	(366,324)	(34,320)
Exchange realignment	479	(251)	(3,063)	(63)	(1,193)	(4,091)
At 31 December 2014, net of accumulated depreciation and impairment	509,709	719,538	177,802	4,548	27,432	1,439,029
At 31 December 2014:						
Cost	546,944	1,392,615	471,636	17,042	27,432	2,455,669
Accumulated depreciation and impairment	(37,235)	(673,077)	(293,834)	(12,494)	-	(1,016,640)
Net carrying amount	509,709	719,538	177,802	4,548	27,432	1,439,029

At 31 December 2015, certificates of ownership in respect of certain buildings of the Group located in Mainland China with a net carrying amount of HK$555,346,000 (31 December 2014: HK$417,976,000) have not yet been issued by the relevant PRC authorities. The Group is in the process of obtaining these certificates.

There was no machinery pledged for interest-bearing bank borrowings at 31 December 2015. Certain of the Group's machinery with a net carrying amount of HK$2,179,000 was pledged for interest-bearing bank borrowings of HK$654,000 at 31 December 2014 (note 28).

16. INVESTMENT PROPERTIES

	2015 HK$'000	2014 HK$'000
At 1 January:		
Cost	**60,254**	–
Accumulated depreciation	**(17,137)**	–
Net carrying amount	**43,117**	–
At 1 January, net of accumulated depreciation	**43,117**	–
Transferred from owner-occupied property	**68,906**	44,601
Depreciation provided during the year (note 9)	**(2,235)**	(1,677)
Exchange realignment	**(5,674)**	193
At 31 December, net of accumulated depreciation	**104,114**	43,117
At 31 December:		
Cost	**122,723**	60,254
Accumulated depreciation	**(18,609)**	(17,137)
Net carrying amount	**104,114**	43,117

The Group's investment properties consist of land and buildings situated in Mainland China.

The investment properties are leased to third parties and certain related companies of the Company under operating leases, further summary details of which are included in note 40(a) and 42(a) to the financial statements.

The fair value of the investment properties cannot be reliably measured because the probabilities of the various estimates within the range of reasonable fair value estimates cannot be reasonably assessed and used in estimating fair value.

17. PREPAID LAND LEASE PAYMENTS

	2015 HK$'000	2014 HK$'000
Carrying amount at 1 January	**116,086**	128,933
Transfers	**(1,018)**	(10,281)
Recognised during the year (note 9)	**(2,059)**	(2,106)
Exchange realignment	**(6,656)**	(460)
Carrying amount at 31 December	**106,353**	116,086

18. OTHER INTANGIBLE ASSETS

	Deferred development costs HK$'000	**Computer software HK$'000**	**Intellectual property HK$'000**	**Golf club membership HK$'000**	**ALCATEL brand license HK$'000**	**Total HK$'000**
31 December 2015						
Cost at 1 January 2015, net of accumulated amortisation	**885,379**	**41,422**	**96,887**	**5,549**	**230,856**	**1,260,093**
Additions	**1,607,418**	**22,548**	**109,282**	**–**	**–**	**1,739,248**
Retirements and disposals	**–**	**(3,758)**	**–**	**–**	**–**	**(3,758)**
Amortisation provided during the year (note 9)	**(1,400,960)**	**(17,037)***	**(23,944)***	**–**	**(23,477)***	**(1,465,418)**
Exchange realignment	**(62,943)**	**(2,255)**	**(1,092)**	**(338)**	**–**	**(66,628)**
At 31 December 2015	**1,028,894**	**40,920**	**181,133**	**5,211**	**207,379**	**1,463,537**
At 31 December 2015:						
Cost	**5,600,795**	**95,879**	**249,671**	**5,211**	**311,824**	**6,263,380**
Accumulated amortisation	**(4,571,901)**	**(54,959)**	**(68,538)**	**–**	**(104,445)**	**(4,799,843)**
Net carrying amount	**1,028,894**	**40,920**	**181,133**	**5,211**	**207,379**	**1,463,537**

18. OTHER INTANGIBLE ASSETS (continued)

	Deferred development costs HK$'000	Computer software HK$'000	Intellectual property HK$'000	Golf club membership HK$'000	ALCATEL brand license HK$'000	Total HK$'000
31 December 2014						
Cost at 1 January 2014, net of accumulated amortisation	617,981	28,394	49,562	5,551	254,333	955,821
Additions	1,384,777	23,760	62,042	–	–	1,470,579
Retirements and disposals	–	(309)	–	–	–	(309)
Amortisation provided during the year (note 9)	(1,117,146)	(10,375)*	(14,585)*	–	(23,477)*	(1,165,583)
Exchange realignment	(233)	(48)	(132)	(2)	–	(415)
At 31 December 2014	885,379	41,422	96,887	5,549	230,856	1,260,093
At 31 December 2014:						
Cost	3,993,377	94,490	143,074	5,549	311,824	4,548,314
Accumulated amortisation	(3,107,998)	(53,068)	(46,187)	–	(80,968)	(3,288,221)
Net carrying amount	885,379	41,422	96,887	5,549	230,856	1,260,093

* Being the amortisation of computer software, intellectual property and ALCATEL brand license charged to the consolidated statement of profit or loss of HK$64,458,000 (2014: HK$48,437,000) (note 9) during the year.

19. GOODWILL

	2015 HK$'000	2014 HK$'000
At 1 January and 31 December:		
Cost and net carrying amount	**253,954**	253,954

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating units for impairment testing:

- Research and development of mobile handsets cash-generating unit; and
- Research and development, manufacture and sale of mobile handsets and other products and rendering of services cash-generating unit.

19. GOODWILL (continued)

Impairment testing of goodwill (continued)

Research and development of mobile handsets cash-generating unit

The recoverable amount of the research and development of mobile handsets cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 18% (2014: 18%) and cash flows within the five-year period are extrapolated using growth rates of sales volume of 5%-12% from 2016 to 2020.

Research and development, manufacture and sale of mobile handsets and other products and rendering of services cash-generating unit

The recoverable amount of the research and development, manufacture and sale of mobile handsets and other products and rendering of services cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 22% (2014: 23%) and cash flows within the five-year period are extrapolated using growth rates of sales volume of 5%-12% from 2016 to 2020.

In the opinion of the Company's directors, any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	Research and development of mobile handsets		**Research and development, manufacture and sale of mobile handsets and other products and rendering of services**	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Carrying amount of goodwill	**146,927**	146,927	**107,027**	107,027

Assumptions were used in the value in use calculation of the research and development of mobile handsets cash-generating unit and the research and development, manufacture and sale of mobile handsets and other products and rendering of services cash-generating unit for 31 December 2015 and 31 December 2014. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, adjusted for expected efficiency improvements, and the expectation for market development.

19. GOODWILL (continued)

Impairment testing of goodwill (continued)

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

The value assigned to the key assumptions on market development and discount rates are consistent with external information sources.

20. INVESTMENTS IN ASSOCIATES

	2015	2014
	HK$'000	HK$'000
Share of net assets	**35,813**	52,925
Goodwill on acquisition	**1,607**	1,188
	37,420	54,113
Provision for impairment	**(1,607)**	(1,188)
	35,813	52,925

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2015	2014
	HK$'000	HK$'000
Share of the associates' profits and losses and total comprehensive income and losses for the year	**(13,499)**	(364)
Aggregate carrying amount of the Group's investments in the associates	**35,813**	52,925

21. INVESTMENTS IN JOINT VENTURES

	2015 HK$'000	2014 HK$'000
Share of net assets	**13,051**	–
Goodwill on acquisition	**13,270**	–
	26,321	–

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2015 HK$'000	2014 HK$'000
Share of the joint ventures' losses for the year	**(9,191)**	–
Share of the joint ventures' other comprehensive income for the year	**25**	–
Share of the joint ventures' total comprehensive losses for the year	**(9,166)**	–
Aggregate carrying amount of the Group's investments in joint ventures	**26,321**	–

22. AVAILABLE-FOR-SALE INVESTMENTS

	2015 HK$'000	2014 HK$'000
Listed equity investments, at fair value	**151,414**	17,550
Unlisted equity investments, at cost	**201,177**	210,188
	352,591	227,738

During the year, the gross gain in respect of the Group's listed entity investments recognised in other comprehensive income amounted to HK$122,107,000 (2014: loss of HK$5,938,000).

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date and coupon rate.

The unlisted equity investments with a carrying amount of HK$201,177,000 (31 December 2014: HK$210,188,000) are stated at cost less any impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

23. INVENTORIES

	2015 HK$'000	2014 HK$'000
Raw materials	**1,049,077**	1,461,551
Work in progress	**21,006**	10,816
Finished goods	**1,690,102**	1,986,898
	2,760,185	3,459,265
Provision against obsolete and slow-moving inventories	**(218,986)**	(165,973)
	2,541,199	3,293,292

24. TRADE RECEIVABLES

	2015 HK$'000	2014 HK$'000
Trade receivables	**5,881,819**	7,893,040
Impairment	**(57,613)**	(20,359)
	5,824,206	7,872,681

The Group's trading terms with its customers are mainly on credit. The credit period is generally 30 to 180 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

24. TRADE RECEIVABLES (continued)

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

	2015 HK$'000	2014 HK$'000
Within 3 months	**5,025,842**	6,497,374
4 to 12 months	**792,822**	1,360,026
Over 12 months	**63,155**	35,640
	5,881,819	7,893,040
Impairment	**(57,613)**	(20,359)
	5,824,206	7,872,681

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

	2015 HK$'000	2014 HK$'000
At 1 January	**20,359**	23,080
Impairment losses recognised (note 9)	**60,505**	12,516
Amount written off as uncollectible	**(22,958)**	(15,120)
Exchange realignment	**(293)**	(117)
At 31 December	**57,613**	20,359

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$57,613,000 (31 December 2014: HK$20,359,000) with a carrying amount before provision of HK$149,447,000 (31 December 2014: HK$100,361,000). The individually impaired trade receivables relate to customers that were in financial difficulties.

24. TRADE RECEIVABLES (continued)

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

	2015 **HK$'000**	2014 HK$'000
Neither past due nor impaired	**4,430,352**	5,423,664
Less than 1 month past due	**908,659**	1,709,803
1 to 3 months past due	**348,177**	517,968
4 to 12 months past due	**35,499**	140,874
Over 12 months past due	**9,685**	370
	5,732,372	7,792,679

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

Trade 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 of the Company 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.

The illustrative disclosures for transfers of financial assets relating to factoring arrangements of trade receivable are provided in note 44 to the financial statements.

25. FACTORED TRADE RECEIVABLES AND BANK ADVANCES ON FACTORED TRADE RECEIVABLES

During the years ended 31 December 2015 and 2014, the Group factored trade receivables to various banks for cash. As the Group retained substantially all risks and rewards of the factored trade receivables or the Group neither retained nor transferred substantially all of the risks and rewards of the factored trade receivables due to the retention of slow payment risk (the risk that the receivables pay later than the due date), the Group continued to recognise the full factored trade receivables or to the extent of its continuing involvement according to HKAS 39.

As at 31 December 2015, the assets and the associated liabilities representing the extent of the Group's continuing involvement in the factored trade receivables of which the Group neither retained nor transferred substantially all of the risks and rewards, amounted to HK$14,354,000 (31 December 2014: HK$3,255,000).

As at 31 December 2015, the factored trade receivables of which the Group retained substantially all risks and rewards, and the associated liabilities which were the bank advances from the factored trade receivables, amounted to HK$256,813,000 (31 December 2014: HK$368,125,000). Together with the continuing involvement as mentioned above, the balance of factored trade receivables and bank advances on factored trade receivables amounted to HK$271,167,000 (31 December 2014: HK$371,380,000) as at 31 December 2015.

No impairment is made on the factored trade receivables. The aged analysis of the factored trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2015 **HK$'000**	2014 HK$'000
Neither past due nor impaired	**229,990**	278,122
Less than 3 months past due	**41,177**	83,164
4 to 12 months past due	**–**	10,094
	271,167	371,380

The details of the transferred financial assets that are not derecognised in their entirety are included in note 44(i) and 44(ii) to the financial statements.

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Note	2015 HK$'000	2014 HK$'000
Prepayments		**195,278**	186,433
Deposits and other receivables		**1,420,535**	1,312,928
		1,615,813	1,499,361
Impairment	(a)	**(15,490)**	(7,191)
		1,600,323	1,492,170

Note:

(a) The movements in provision for individually impaired prepayments, deposits and other receivables are as follows:

	2015 HK$'000	2014 HK$'000
At 1 January	**7,191**	10,773
Impairment losses recognised/(reversed) (note 9)	**8,720**	(1,985)
Amount written off as uncollectible	**–**	(1,547)
Exchange realignment	**(421)**	(50)
At 31 December	**15,490**	7,191

The individually impaired prepayments, deposits and other receivables relate to debtors that were in financial difficulties and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over the balances.

The aged analysis of prepayments, deposits and other receivables that are not individually nor collectively considered to be impaired is as follows:

	2015 HK$'000	2014 HK$'000
Neither past due nor impaired	**1,591,604**	1,492,170

Prepayments, deposits and other receivables that were neither past due nor impaired relate to a large number of diversified debtors for whom there was no recent history of default.

27. PLEDGED DEPOSITS AND CASH AND CASH EQUIVALENTS

	2015 HK$'000	2014 HK$'000
Cash and bank balances	**565,707**	473,391
Pledged deposits	**1,028,340**	1,914,380
	1,594,047	2,387,771
Less: Pledged deposits:		
– for factored trade receivables	**32,625**	56,370
– for interest-bearing bank borrowings, banking facilities and other financial instruments	**995,715**	1,858,010
Cash and cash equivalents	**565,707**	473,391

At the end of the reporting period, the cash and bank balances and pledged deposits of the Group denominated in Renminbi ("RMB") amounted to HK$1,190,007,000 (31 December 2014: HK$2,014,328,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

Included in the Group's cash and bank balances and pledged deposits are deposits of HK$466,340,000 (31 December 2014: HK$311,035,000) placed with TCL Finance Co., Ltd., a fellow subsidiary of the Company, which is a financial institution approved by the People's Bank of China. The effective interest rate for these deposits was 0.15%-3.12% (2014: 0.15%-3.12%) per annum, being the savings rate offered by the People's Bank of China.

28. INTEREST-BEARING BANK BORROWINGS

	2015 Maturity (Year)	2015 HK$'000	2014 Maturity (Year)	2014 HK$'000
Current				
Bank borrowings – unsecured	**2016**	**1,325,871**	2015	1,021,391
Bank borrowings – secured*	**2016**	**1,477,342**	2015	2,919,400
		2,803,213		3,940,791
Non-current				
Bank borrowings – secured*	**2018**	**178,268**		–
		2,981,481		3,940,791

	2015 HK$'000	2014 HK$'000
Analysed into:		
Within one year or on demand	**2,803,213**	3,940,791
In the second year	**–**	–
In the third to fifth years, inclusive	**178,268**	–
	2,981,481	3,940,791

* The Group's secured interest-bearing bank borrowings are bank advances comprising (i) bank borrowings of HK$469,656,000 (31 December 2014: HK$1,530,506,000) which are secured by the pledge of certain of the Group's time deposits amounting to HK$651,839,000 (31 December 2014: HK$1,689,187,000); (ii) bank borrowings of HK$1,185,954,000 (31 December 2014: HK$1,388,240,000) which are guaranteed by the ultimate holding company (note 42(b)); (iii) There was no bank borrowing secured by machinery at 31 December 2015. Bank borrowings of HK$654,000 were secured by certain of the Group's machinery with net carrying amount to HK$2,179,000 at 31 December 2014 (note 15).

The effects of interest rate swaps in the Group's secured interest-bearing bank borrowings are further detailed in note 31 to the financial statements.

The effective contractual interest rates for the bank borrowings ranged from 0.73% to 15.76% (2014: 0.53% to 12.99%) per annum.

The Group's interest-bearing bank borrowings of HK$469,656,000 (31 December 2014: HK$321,101,000) and HK$22,699,000 (31 December 2014: HK$13,667,000) are denominated in Brazilian real ("BRL") and Canadian dollars, respectively. No interest-bearing bank borrowings was denominated in RMB (31 December 2014: HK$654,000) and EUR (31 December 2014: HK$35,035,000). The other loans are denominated in United States dollars.

29. TRADE AND NOTES PAYABLES

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

	2015	2014
	HK$'000	HK$'000
Within 6 months	**4,732,916**	5,130,897
7 to 12 months	**23,730**	20,721
Over 12 months	**33,260**	15,126
	4,789,906	5,166,744

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

30. OTHER PAYABLES AND ACCRUALS

	2015	2014
	HK$'000	HK$'000
Advances from customers	**66,790**	97,961
Payroll and employee benefits payable	**323,649**	464,128
Interest payable	**9,238**	16,572
Other payables and accruals	**2,884,223**	4,374,755
	3,283,900	4,953,416

Other payables are non-interest-bearing and have an average term within 1 year.

31. DERIVATIVE FINANCIAL INSTRUMENTS

	2015		2014	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	**HK$'000**	HK$'000	HK$'000
Forward currency contracts	**92,560**	**269,776**	418,444	48,917
Interest rate swaps	**1,313**	**–**	796	474
	93,873	**269,776**	419,240	49,391

31. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Forward currency contracts – cash flow hedges

Some forward currency contracts are designated as hedging instruments in respect of forecast future sales to customers in Asia, Europe and Americas to which the Group has firm commitments. The forward currency contract balances vary with the levels of expected foreign currency sales and changes in foreign exchange forward rates.

The terms of the forward currency contracts match the terms of the commitments. The cash flow hedges relating to expected future sales monthly from January to December of 2016 were assessed to be highly effective and net losses of HK$335,625,000 (2014: net gains of HK$243,885,000) were included in the hedging reserve as follows:

	2015 **HK$'000**	2014 HK$'000
Total fair value (losses)/gains included in the hedging reserve*	**(49,037)**	406,833
Deferred tax on changes in fair value**	**38,328**	13,020
Reclassification from other comprehensive income and recognised in the consolidated statement of profit or loss***	**(319,741)**	(181,887)
Deferred tax on reclassification to profit or loss**	**(5,175)**	5,919
Net (losses)/gains on cash flow hedges	**(335,625)**	243,885

Interest rate swaps – cash flow hedges

At 31 December 2015, the Group held interest rate swaps designated as hedges in respect of expected interest payments for floating rate debts incurred by the Group.

	2015 **HK$'000**	2014 HK$'000
Total fair value losses included in the hedging reserve*	**(1,291)**	(4,049)
Reclassification from other comprehensive income and recognised in the consolidated statement of profit or loss (note 9)***	**1,605**	3,607
Net gains/(losses) on cash flow hedges	**314**	(442)

* The net effective portion of changes in fair value of hedging instruments arising during the year amounted to a debit of HK$50,328,000 (2014: a credit of HK$402,784,000).

** The net deferred tax on changes in fair value amounted to a credit of HK$33,153,000 during the year (2014: HK$18,939,000).

*** The total net gains on cash flow hedges reclassified from other comprehensive income amounted to HK$318,136,000 during the year (2014: HK$178,280,000).

During the year, the ineffective portion of the net gains on the forward currency contracts of HK$126,909,000 (2014: HK$103,675,000) (note 9) were recognised in the consolidated statements of profit or loss.

31. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

For non-hedging currency derivatives

In addition, the Group has entered into various forward currency contracts to manage its exchange rate exposures. These forward currency contracts are not designated for hedge purposes and are measured at fair value through profit or loss. The net realised gains and the net unrealised losses on changes in the fair value of non-hedging currency derivatives amounted to HK$180,740,000 (2014: HK$89,018,000) and HK$177,850,000 (2014: net unrealised gains of HK$144,857,000) respectively, resulting in net gains of HK$2,890,000 (2014: HK$233,875,000) (note 9) recognised in the consolidated statement of profit or loss during the year. The maturity dates of derivative financial instruments are within one year.

32. PROVISION FOR WARRANTIES

The movements in the provision for warranties are summarised as follows:

	2015 **HK$'000**	2014 HK$'000
At 1 January	**462,500**	306,663
Additional provision (note 9)	**525,235**	666,775
Amounts utilised during the year	**(539,975)**	(482,753)
Exchange realignment	**(24,848)**	(28,185)
At 31 December	**422,912**	462,500

The Group generally provides warranties of 12 to 24 months to its customers on products, under which faulty products are repaired or replaced. The amount of the provision for warranties is estimated based on sales volumes and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate. During the year, the provision for warranties was not discounted, as the effect of discounting was not material.

33. RETIREMENT INDEMNITIES

Retirement indemnities in respect of the pension plan are as follows:

	2015 **HK$'000**	2014 HK$'000
Retirement indemnities:		
Present value of fund obligation	**5,197**	4,827

Movements in retirement indemnities are as follows:

	2015 **HK$'000**	2014 HK$'000
At 1 January	**4,827**	5,740
Recognised/(reversed) during the year	**878**	(254)
Exchange realignment	**(508)**	(659)
At 31 December	**5,197**	4,827

The Group does not have any unfunded obligations.

The main assumptions used in the retirement indemnity computation for the pension plan are as follows:

	2015	2014
Discount rate	**2.25%**	2.25%
Future salary increase rate per annum	**3.00%**	3.00%

34. LONG SERVICE MEDALS

TCT SAS, a subsidiary of the Company incorporated in France, provides for the probable future long service medals expected to be made to employees. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to TCT SAS to the end of the reporting period.

35. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

	Tax losses HK$'000	Promotion and accruals HK$'000	Deferred income HK$'000	Product warranty HK$'000	Bad debt provision HK$'000	Provision against inventories HK$'000	Unrealised profit HK$'000	Impairment of non-current assets HK$'000	Amortisation in excess of amortisation allowance HK$'000	Cash flow hedges HK$'000	Total HK$'000
At 1 January 2015	83,803	16,737	33,617	13,918	382	33,597	30,989	1,689	74,642	8,267	297,641
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year	7,905	11,443	(1,467)	(6,030)	957	17,300	7,372	-	(74,642)	-	(37,162)*
Deferred tax credited to the consolidated statement of comprehensive income during the year	-	-	-	-	-	-	-	-	-	33,153	33,153
Exchange realignment	(8,568)	(4,344)	(1,935)	(676)	(21)	(2,351)	(1)	(99)	-	842	(17,153)
Gross deferred tax assets at 31 December 2015	83,140	23,836	30,215	7,212	1,318	48,546	38,360	1,590	-	42,262	276,479

	Tax losses HK$'000	Promotion and accruals HK$'000	Deferred income HK$'000	Product warranty HK$'000	Bad debt provision HK$'000	Provision against inventories HK$'000	Unrealised profit HK$'000	Impairment of non-current assets HK$'000	Amortisation in excess of amortisation allowance HK$'000	Cash flow hedges HK$'000	Total HK$'000
At 1 January 2014	86,543	7,869	-	4,836	1,221	21,381	19,922	1,215	52,353	-	195,340
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year	8,418	10,540	33,554	9,089	(834)	12,260	11,067	477	22,289	-	106,860*
Deferred tax credited to the consolidated statement of comprehensive income during the year	-	-	-	-	-	-	-	-	-	8,222	8,222
Exchange realignment	(11,158)	(1,672)	63	(7)	(5)	(44)	-	(3)	-	45	(12,781)
Gross deferred tax assets at 31 December 2014	83,803	16,737	33,617	13,918	382	33,597	30,989	1,689	74,642	8,267	297,641

35. DEFERRED TAX (continued)

Deferred tax assets (continued)

Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through future taxable profits is probable. The Group had unrecognised tax losses of HK$79,997,000 (31 December 2014: HK$30,275,000), expiring in five years after occurrence, which were related to the subsidiaries in Mainland China and HK$1,629,669,000 (31 December 2014: HK$2,211,378,000) with infinite expiration, which were related to overseas subsidiaries as at 31 December 2015 carried forward for offsetting against future taxable profits of the subsidiaries 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 loss can be utilised.

Deferred tax liabilities

	Deferred development costs HK$'000	Income not subject to tax HK$'000	Depreciation allowance in excess of related depreciation HK$'000	Total HK$'000
At 1 January 2015	**94,890**	**5,802**	**1,513**	**102,205**
Deferred tax (credited)/charged to the consolidated statement of profit or loss during the year	**(94,890)**	**1,794**	**8,974**	**(84,122)***
Exchange realignment	**–**	**–**	**13**	**13**
Gross deferred tax liabilities at 31 December 2015	**–**	**7,596**	**10,500**	**18,096**

35. DEFERRED TAX (continued)

Deferred tax liabilities (continued)

	Deferred development costs HK$'000	Income not subject to tax HK$'000	Cash flow hedges HK$'000	Depreciation allowance in excess of related depreciation HK$'000	Changes in fair value of derivative financial instruments HK$'000	Total HK$'000
At 1 January 2014	63,151	8,587	10,520	1,513	1,073	84,844
Deferred tax charged/(credited) to the consolidated statement of profit or loss during the year	31,739	(2,785)	–	–	(770)	28,184*
Deferred tax credited to the consolidated statement of comprehensive income during the year	–	–	(10,717)	–	–	(10,717)
Exchange realignment	–	–	197	–	(303)	(106)
Gross deferred tax liabilities at 31 December 2014	94,890	5,802	–	1,513	–	102,205

* Being the total deferred tax credit of HK$46,960,000 (2014: HK$78,676,000) (note 12) to the consolidated statement of profit or loss during the year.

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 subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$5,460,329,000 (31 December 2014: HK$4,524,032,000).

36. SHARE CAPITAL

	Number of shares in issue	Issued share capital HK$'000	Share premium account HK$'000
Authorised:			
Ordinary shares of par value HK$1 each at 1 January 2014, 31 December 2014, 1 January 2015 and 31 December 2015	2,000,000,000	2,000,000	
Issued and fully paid or credited as fully paid:			
At 1 January 2014	1,162,460,227	1,162,460	417,664
Exercise of Share Options	51,439,915	51,440	173,433
Issue of new shares under Share Award Scheme	6,866,266	6,866	14,749
Reclassification of lapsed Share Options	–	–	636
Reclassification of vested Awarded Shares	–	–	24,494
At 31 December 2014 and 1 January 2015	1,220,766,408	1,220,766	630,976
Exercise of Share Options* (note 37)	37,867,818	37,869	157,675
Issue of new shares under Share Award Scheme** (note 38)	9,164,290	9,164	27,455
Reclassification of lapsed Share Options	–	–	165
Reclassification of vested Awarded Shares	–	–	(3,474)
Final 2014 dividend	–	–	(91,467)
Interim 2015 dividend	–	–	(161,218)
At 31 December 2015	1,267,798,516	1,267,799	560,112

* During the year, 37,867,818 Share Options were exercised at subscription prices ranging from HK$2.740 to HK$7.614 per share, resulting in the issue of 37,867,818 ordinary shares of par value of HK$1 each for a total cash consideration of approximately HK$141,119,000.

** During the year, under the Share Award Scheme, 9,164,290 ordinary shares of par value HK$1 each were issued at no consideration.

37. SHARE OPTION SCHEME

The Company adopts two share option schemes to grant Share Options as incentive and rewards for their contribution to the success of the Group's operations as well as a way to attract and retain participants to eligible participants include employees (including executive directors, non-executive directors and independent non-executive directors), advisers, consultants, agents, contractors, clients, suppliers and any other person(s) whom the Board, in its sole discretion, considers have contributed or may contribute to the Group (collectively referred to as the "Participants"). The old share option scheme (the "Old Share Option Scheme"), which was adopted 13 September 2004, and would expire on 12 September 2014. In order to enable the Group to continuously grant Share Options to Participants, the directors recommended to the Shareholders at the annual general meeting of the Company (the "AGM") held on 28 April 2014 to adopt the new share option scheme (the "New Share Option Scheme") and to simultaneously terminate the operation of the Old Share Option Scheme in advance, such termination being effective from the conclusion of the AGM held on 28 April 2014. On 28 April 2014, the adoption of the New Share Option Scheme and the termination of the Old Share Option Scheme were both approved by the Shareholders. The Share Options granted under the Old Share Option Scheme prior to its termination would continue to be valid and exercisable in accordance with the rules of the Old Share Option Scheme. The New Share Option Scheme will remain in force for a period of 10 years commencing from 28 April 2014.

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

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

The exercise price of Share Options is determinable by the Board, but may not be less than the highest of (i) the closing price of the Company's shares as stated in the daily quotation sheets of the Stock Exchange on the date of grant of the Share Options, (ii) the average of the closing prices of the Shares as stated in the daily quotation sheets of the Stock Exchange for the five trading days immediately preceding the date of grant and, (iii) the nominal value of the Share.

37. SHARE OPTION SCHEME (continued)

Share Options do not confer rights on the holders to receive dividends or to vote at general meetings.

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

The total number of the Shares that could be issued upon exercise of (i) all outstanding Share Options; and (ii) all Share Options that could be granted under the then available scheme mandate limit as at 31 December 2015 and 31 December 2014 was 153,099,299 Shares and 191,135,953 Shares, respectively, which represented about 12.08% and 15.66% of the issued Shares as at 31 December 2015 and 31 December 2014, respectively.

As at 31 December 2015, the Company had a total of 45,755,564 Share Options outstanding under the Old Share Option Scheme and the New Share Option Scheme (collectively referred to as the "Share Options Schemes"). The exercise in full of the outstanding Share Options would, under the present capital structure of the Company, result in the issue of 45,755,564 additional ordinary shares of the Company. Total funds raised from exercise of the outstanding Share Options would be approximately HK$215,987,000 which represents additional share capital of approximately HK$45,756,000 and share premium of approximately HK$170,231,000 (before issue expenses). No Share Options were cancelled during the year ended 31 December 2015.

At the date of approval of these financial statements, the Company has 44,503,741 Share Options outstanding under the Share Options Schemes, which represented approximately 3.51% of the Company's shares in issue as at that date.

37. SHARE OPTION SCHEME (continued)

Further details of the Share Options Schemes are as follows:

37.1 As at 31 December 2015, the following Share Options were outstanding under the Schemes of the Company during the year:

Date of grant	Number of Share Options						Exercise period (both dates inclusive) *(Note a)*	Exercise price per share *(HK$)*
	As at 1 January 2015	Granted during the year	Exercised during the year	Lapsed during the year	Expired during the year	As at 31 December 2015		
11 March 2010	2,913,334	-	(2,478,000)	-	-	435,334	11 December 2010 to 10 March 2016	3.020
25 May 2010	4,700,000	-	(4,121,900)	-	-	578,100	25 February 2011 to 24 May 2016	3.462
3 May 2011	6,126,764	-	(212,000)	(50,000)	-	5,864,764	3 February 2012 to 2 May 2017	7.614
9 August 2011	4,732,637	-	(4,348,837)	-	-	383,800	9 May 2012 to 8 August 2017	6.472
4 June 2012	19,890,436	-	(11,062,758)	(10,668)	-	8,817,010	4 March 2013 to 3 June 2018	2.740
12 July 2013	33,606,015	-	(15,644,323)	(102,006)	-	17,859,686	12 April 2014 to 11 July 2019	3.790
21 May 2015	-	1,987,576	-	-	-	1,987,576	31 December 2015 to 20 May 2021	8.390
3 November 2015	-	9,835,456	-	(6,162)	-	9,829,294	31 December 2015 to 2 November 2021	5.800
Total	71,969,186	11,823,032	(37,867,818)	(168,836)	-	45,755,564		

37. SHARE OPTION SCHEME (continued)

37.2 As at 31 December 2015, the outstanding Share Options granted to the Participants are as follows:

	Number of Share Options								
	As at 1 January 2015	Granted during the year	Exercised during the year	Lapsed during the year	Re-classified	As at 31 December 2015	Date of grant	Exercise period (both dates inclusive) *(Note a)*	Exercise price per share *(HK$)*
Executive directors									
Mr. LI Dongsheng	2,400,000	-	(2,400,000)	-	-	-	25 May 2010	25 February 2011 to 24 May 2016	3.462
(Note c)	1,547,368	-	-	-	-	1,547,368	3 May 2011	3 February 2012 to 2 May 2017	7.614
	4,454,545	-	(4,454,545)	-	-	-	4 June 2012	4 March 2013 to 3 June 2018	2.740
	840,000	-	-	-	-	840,000	12 July 2013	12 April 2014 to 11 July 2019	3.790
	-	532,545	-	-	-	532,545	21 May 2015	31 December 2015 to 20 May 2021	8.390
	-	211,587	-	-	-	211,587	3 November 2015	31 December 2015 to 2 November 2021	5.800
	9,241,913	744,132	(6,854,545)	-	-	3,131,500			
Mr. GUO Aiping	3,094,737	-	-	-	-	3,094,737	3 May 2011	3 February 2012 to 2 May 2017	7.614
	3,970,091	-	-	-	-	3,970,091	4 June 2012	4 March 2013 to 3 June 2018	2.740
	1,680,000	-	-	-	-	1,680,000	12 July 2013	12 April 2014 to 11 July 2019	3.790
	-	686,800	-	-	-	686,800	21 May 2015	31 December 2015 to 20 May 2021	8.390
	-	333,257	-	-	-	333,257	3 November 2015	31 December 2015 to 2 November 2021	5.800
	8,744,828	1,020,057	-	-	-	9,764,885			
Mr. WANG Jiyang	2,136,498	-	(2,136,498)	-	-	-	4 June 2012	4 March 2013 to 3 June 2018	2.740
	1,124,000	-	(1,124,000)	-	-	-	12 July 2013	12 April 2014 to 11 July 2019	3.790
	-	260,469	-	-	-	260,469	21 May 2015	31 December 2015 to 20 May 2021	8.390
	-	126,388	-	-	-	126,388	3 November 2015	31 December 2015 to 2 November 2021	5.800
	3,260,498	386,857	(3,260,498)	-	-	386,857			
Mr. Nicolas Daniel Bernard ZIBELL	-	-	-	-	2,000	2,000	11 March 2010	11 December 2010 to 10 March 2016	3.020
(Note d)	-	-	-	-	441,000	441,000	12 July 2013	12 April 2014 to 11 July 2019	3.790
	-	-	-	-	443,000	443,000			

continued/...

37. SHARE OPTION SCHEME (continued)

37.2 As at 31 December 2015, the outstanding Share Options granted to the Participants are as follows: (continued)

	Number of Share Options								
	As at 1 January 2015	Granted during the year	Exercised during the year	Lapsed during the year	Re-classified	As at 31 December 2015	Date of grant	Exercise period (both dates inclusive) *(Note a)*	Exercise price per share *(HK$)*
Non-executive directors									
Mr. HUANG Xubin	806,035	-	-	-	-	806,035	4 June 2012	4 March 2013 to 3 June 2018	2.740
	210,000	-	-	-	-	210,000	12 July 2013	12 April 2014 to 11 July 2019	3.790
	-	121,230	-	-	-	121,230	21 May 2015	31 December 2015 to 20 May 2021	8.390
	-	28,816	-	-	-	28,816	3 November 2015	31 December 2015 to 2 November 2021	5.800
	1,016,035	150,046	-	-	-	1,166,081			
Mr. YAN Xiaolin	167,200	-	(167,000)	-	(200)	-	9 August 2011	9 May 2012 to 8 August 2017	6.472
(Note e)	210,000	-	(140,000)	-	(70,000)	-	12 July 2013	12 April 2014 to 11 July 2019	3.790
	-	115,933	-	-	(115,933)	-	21 May 2015	31 December 2015 to 20 May 2021	8.390
	377,200	115,933	(307,000)	-	(186,133)	-			
Ms. XU Fang	1,000,000	-	(721,900)	-	(278,100)	-	25 May 2010	25 February 2011 to 24 May 2016	3.462
(Note f)	418,100	-	(418,100)	-	-	-	9 August 2011	9 May 2012 to 8 August 2017	6.472
	1,000,000	-	-	-	(1,000,000)	-	4 June 2012	4 March 2013 to 3 June 2018	2.740
	210,000	-	-	-	(210,000)	-	12 July 2013	12 April 2014 to 11 July 2019	3.790
	-	77,088	-	-	(77,088)	-	21 May 2015	31 December 2015 to 20 May 2021	8.390
	2,628,100	77,088	(1,140,000)	-	(1,565,188)	-			
Mr. LIAO Qian	-	32,601	-	-	-	32,601	21 May 2015	31 December 2015 to 20 May 2021	8.390
(Note g)	-	7,749	-	-	-	7,749	3 November 2015	31 December 2015 to 2 November 2021	5.800
	-	40,350	-	-	-	40,350			

continued/...

37. SHARE OPTION SCHEME (continued)

37.2 As at 31 December 2015, the outstanding Share Options granted to the Participants are as follows: (continued)

	Number of Share Options								
	As at 1 January 2015	Granted during the year	Exercised during the year	Lapsed during the year	Re-classified	As at 31 December 2015	Date of grant	Exercise period (both dates inclusive) *(Note a)*	Exercise price per share *(HK$)*
Independent Non-executive directors									
Mr. LAU Siu Ki	300,000	-	-	-	-	300,000	25 May 2010	25 February 2011 to 24 May 2016	3.462
	200,000	-	-	-	-	200,000	4 June 2012	4 March 2013 to 3 June 2018	2.740
	-	17,045	-	-	-	17,045	21 May 2015	31 December 2015 to 20 May 2021	8.390
	-	8,271	-	-	-	8,271	3 November 2015	31 December 2015 to 2 November 2021	5.800
	500,000	25,316	-	-	-	525,316			
Mr. LOOK Andrew	-	17,045	-	-	-	17,045	21 May 2015	31 December 2015 to 20 May 2021	8.390
	-	8,271	-	-	-	8,271	3 November 2015	31 December 2015 to 2 November 2021	5.800
	-	25,316	-	-	-	25,316			
Mr. KWOK Hoi Sing	300,000	-	-	-	-	300,000	9 August 2011	9 May 2012 to 8 August 2017	6.472
	200,000	-	-	-	-	200,000	4 June 2012	4 March 2013 to 3 June 2018	2.740
	-	17,045	-	-	-	17,045	21 May 2015	31 December 2015 to 20 May 2021	8.390
	-	8,271	-	-	-	8,271	3 November 2015	31 December 2015 to 2 November 2021	5.800
	500,000	25,316	-	-	-	525,316			
Directors	-	-	-	-	2,000	2,000	11 March 2010	11 December 2010 to 10 March 2016	3.020
(included their associates)	3,700,000	-	(3,121,900)	-	(278,100)	300,000	25 May 2010	25 February 2011 to 24 May 2016	3.462
	4,642,105	-	-	-	-	4,642,105	3 May 2011	3 February 2012 to 2 May 2017	7.614
	885,300	-	(585,100)	-	(200)	300,000	9 August 2011	9 May 2012 to 8 August 2017	6.472
	12,767,169	-	(6,591,043)	-	(1,000,000)	5,176,126	4 June 2012	4 March 2013 to 3 June 2018	2.740
	4,274,000	-	(1,264,000)	-	161,000	3,171,000	12 July 2013	12 April 2014 to 11 July 2019	3.790
	-	1,877,801	-	-	(193,021)	1,684,780	21 May 2015	31 December 2015 to 20 May 2021	8.390
	-	732,610	-	-	-	732,610	3 November 2015	31 December 2015 to 2 November 2021	5.800
Sub-total	26,268,574	2,610,411	(11,562,043)	-	(1,308,321)	16,008,621			
Participants	2,913,334	-	(2,478,000)	-	(2,000)	433,334	11 March 2010	11 December 2010 to 10 March 2016	3.020
(excluded directors	1,000,000	-	(1,000,000)	-	278,100	278,100	25 May 2010	25 February 2011 to 24 May 2016	3.462
and their associates)	1,484,659	-	(212,000)	(50,000)	-	1,222,659	3 May 2011	3 February 2012 to 2 May 2017	7.614
	3,847,337	-	(3,763,737)	-	200	83,800	9 August 2011	9 May 2012 to 8 August 2017	6.472
	7,123,267	-	(4,471,715)	(10,668)	1,000,000	3,640,884	4 June 2012	4 March 2013 to 3 June 2018	2.740
	29,332,015	-	(14,380,323)	(102,006)	(161,000)	14,688,686	12 July 2013	12 April 2014 to 11 July 2019	3.790
	-	109,775	-	-	193,021	302,796	21 May 2015	31 December 2015 to 20 May 2021	8.390
	-	9,102,846	-	(6,162)	-	9,096,684	3 November 2015	31 December 2015 to 2 November 2021	5.800
Sub-total	45,700,612	9,212,621	(26,305,775)	(168,836)	1,308,321	29,746,943			
Total	71,969,186	11,823,032	(37,867,818)	(168,836)	-	45,755,564			

37. SHARE OPTION SCHEME (continued)

Notes:

a. During the year, the following Share Options continued to be effective under the Share Options Schemes of the Company:

	Date of grant	Exercise price per share *(HK$)*	Exercise period	Remarks
(i)	11 March 2010	3.020	11 December 2010 to 10 March 2016: one third of these Share Options are exercisable after the expiry of 9 months from the date of grant, a further one-third are exercisable after the expiry of 18 months from the date of grant, and the remaining one-third are exercisable after the expiry of 27 months from the date of grant.	The said Share Options were expired on 10 March 2016.
(ii)	25 May 2010	3.462	25 February 2011 to 24 May 2016: the first tranche of these Share Options are exercisable after the expiry of 9 months from the date of grant, the second tranche are exercisable after the expiry of 18 months from the date of grant, and the third tranche are exercisable after the expiry of 27 months from the date of grant.	The said Share Options will be expired on 24 May 2016.
(iii)	3 May 2011	7.614	3 February 2012 to 2 May 2017: one-third of the said Share Options are exercisable after the expiry of 9 months from the date of grant, a further one-third are exercisable after the expiry of 18 months from the date of grant, and the remaining one-third are exercisable after the expiry of 27 months from the date of grant.	N/A
(iv)	9 August 2011	6.472	9 May 2012 to 8 August 2017: one-third of the said Share Options are exercisable after the expiry of 9 months from the date of grant, a further one-third are exercisable after the expiry of 18 months from the date of grant, and the remaining one-third are exercisable after the expiry of 27 months from the date of grant.	N/A

37. SHARE OPTION SCHEME (continued)

Notes: (continued)

a. During the year, the following Share Options continued to be effective under the Share Options Schemes of the Company: (continued)

	Date of grant	Exercise price per share (HK$)	Exercise period	Remarks
(v)	4 June 2012	2.740	4 March 2013 to 3 June 2018: one-third of these Share Options are exercisable after the expiry of 9 months from the date of grant, a further one-third are exercisable after the expiry of 18 months from the date of grant, and the remaining one-third are exercisable after the expiry of 27 months from the date of grant.	A maximum of 75,000,000 Share Options under the Old Share Option Scheme were offered by the Company, subject to acceptance of the grantees. A total of 49,000,000 Share Options were accepted by and granted to the grantees, among which a total of 24,220,134 Share Options were granted to the directors of the Company. Further details of the said Share Options were set out in the announcement of the Company dated 4 June 2012.
(vi)	12 July 2013	3.790	12 April 2014 to 11 July 2019: one-third of these Share Options are exercisable after the expiry of 9 months from the date of grant, a further one-third are exercisable after the expiry of 18 months from the date of grant, and the remaining one-third are exercisable after the expiry of 27 months from the date of grant.	A maximum of 48,503,700 Share Options under the Old Share Option Scheme were offered by the Company, subject to acceptance of the grantees. A total of 42,286,000 Share Options were accepted by and granted to the grantees, among which a total of 4,830,000 Share Options were granted to the directors of the Company. Further details of the said Share Options were set out in the announcement of the Company dated 12 July 2013.

37. SHARE OPTION SCHEME (continued)

Notes: (continued)

a. During the year, the following Share Options continued to be effective under the Share Options Schemes of the Company: (continued)

	Date of grant	Exercise price per share *(HK$)*	Exercise period	Remarks
(vii)	21 May 2015	8.390	31 December 2015 to 20 May 2021: one-third of these Share Options are exercisable from 31 December 2015; a further one-third are exercisable from 31 December 2016, and the remaining one-third are exercisable from 31 December 2017.	A maximum of 17,000,000 Share Options under the New Share Option Scheme were offered by the Company, where the grantees were offered Share Options and subject to the acceptance of the grantees. A total of 1,987,576 Share Options were granted to accepted by the grantees, among which a total of 1,877,801 Share Options were granted to the directors, former directors and their associates. Further details of the said Share Options were set out in the announcements of the Company dated 21 May 2015, 26 May 2015 and 15 July 2015 respectively.
(viii)	3 November 2015	5.800	31 December 2015 to 2 November 2021: one third of these Share Options are exercisable from 31 December 2015; a further one-third are exercisable from 31 December 2016, and the remaining one-third are exercisable from 31 December 2017.	A maximum of 13,000,000 Share Options under the New Share Option Scheme were offered by the Company, subject to the acceptance of the grantees. A total of 9,835,456 Share Options were granted to accepted by the grantees, among which a total of 732,610 Share Options were granted to the directors and their associates. Further details of the said Share Options were set out in the announcement of the Company dated 3 November 2015.

37. SHARE OPTION SCHEME (continued)

Notes: (continued)

b. The weighted average share price at the date of exercise for Share Options exercised during the year was HK$7.94 (year ended 31 December 2014: HK$8.98) per share.

c. These number of outstanding Share Options held by Mr. LI Dongsheng contains the number of outstanding Share Options held by his spouse.

d. Mr. Nicolas Daniel Bernard ZIBELL was appointed on 15 July 2015 as an executive director of the Company.

e. Mr. YAN Xiaolin has resigned on 15 July 2015 as a non-executive director of the Company.

f. Ms. XU Fang has resigned on 21 May 2015 as a non-executive director of the Company, and was granted by the Company with Share Options to subscribe for a total of 77,088 Shares on the same day.

g. Mr. LIAO Qian was appointed on 21 May 2015 as a non-executive director of the Company.

h. The following assumptions were used to derive the fair value, using the binomial model:

Options granted on 11 March 2010

		At grant date
(i)	Exercise period	11 December 2010 to 10 March 2016
(ii)	Expected volatility	69.69% per annum
(iii)	Estimated average life	6 years
(iv)	Average risk-free interest rate	1.98% per annum
(v)	Early exercise assumption	When the share price is at least 150% of the exercise price
(vi)	Expected dividend yield	0% per annum
(vii)	Estimated rate of leaving service	0% per annum

Options granted on 25 May 2010

		At grant date
(i)	Exercise period	25 February 2011 to 24 May 2016
(ii)	Expected volatility	70.05% per annum
(iii)	Estimated average life	6 years
(iv)	Average risk-free interest rate	1.82% per annum
(v)	Early exercise assumption	When the share price is at least 150% of the exercise price
(vi)	Expected dividend yield	0% per annum
(vii)	Estimated rate of leaving service	0% per annum

37. SHARE OPTION SCHEME (continued)

Notes: (continued)

h. The following assumptions were used to derive the fair value, using the binomial model: (continued)

Options granted on 3 May 2011

		At grant date
(i)	Exercise period	3 February 2012 to 2 May 2017
(ii)	Expected volatility	71.49% per annum
(iii)	Estimated average life	6 years
(iv)	Average risk-free interest rate	1.96% per annum
(v)	Early exercise assumption	When the share price is at least 180% of the exercise price
(vi)	Expected dividend yield	3.99% per annum
(vii)	Estimated rate of leaving service	0% per annum

Options granted on 9 August 2011

		At grant date
(i)	Exercise period	9 May 2012 to 8 August 2017
(ii)	Expected volatility	69.559% per annum
(iii)	Estimated average life	6 years
(iv)	Average risk-free interest rate	1.105% per annum
(v)	Early exercise assumption	When the share price is at least 180% of the exercise price
(vi)	Expected dividend yield	4.313% per annum
(vii)	Estimated rate of leaving service	0% per annum

Options granted on 4 June 2012

		At grant date
(i)	Exercise period	4 March 2013 to 3 June 2018
(ii)	Expected volatility	70.841% per annum
(iii)	Estimated average life	6 years
(iv)	Average risk-free interest rate	0.514% per annum
(v)	Early exercise assumption	When the share price is at least 180% of the exercise price
(vi)	Expected dividend yield	7.811% per annum
(vii)	Estimated rate of leaving service	0% per annum

37. SHARE OPTION SCHEME (continued)

Notes: (continued)

h. The following assumptions were used to derive the fair value, using the binomial model: (continued)

Options granted on 12 July 2013

		At grant date
(i)	Exercise period	12 April 2014 to 11 July 2019
(ii)	Expected volatility	72.30% per annum
(iii)	Estimated average life	6 years
(iv)	Average risk-free interest rate	1.468% per annum
(v)	Early exercise assumption	When the share price is at least 180% of the exercise price
(vi)	Expected dividend yield	8.06% per annum
(vii)	Estimated rate of leaving service	0% per annum

Options granted on 21 May 2015

		At grant date
(i)	Exercise period	31 December 2015 to 20 May 2021
(ii)	Expected volatility	61.22% per annum
(iii)	Estimated average life	6 years
(iv)	Average risk-free interest rate	1.351% per annum
(v)	Early exercise assumption	When the share price is at least 250% of the exercise price
(vi)	Expected dividend yield	3.44% per annum
(vii)	Estimated rate of leaving service	0% per annum

Options granted on 3 November 2015

		At grant date
(i)	Exercise period	31 December 2015 to 2 November 2021
(ii)	Expected volatility	60.76% per annum
(iii)	Estimated average life	6 years
(iv)	Average risk-free interest rate	1.132% per annum
(v)	Early exercise assumption	When the share price is at least 251% of the exercise price
(vi)	Expected dividend yield	4.34% per annum
(vii)	Estimated rate of leaving service	0% per annum

The volatility rate of the share price of the Company was determined with reference to the historical volatilities of the share prices of the Company as extracted from Bloomberg.

38. SHARE AWARD SCHEME

Share award scheme A (the "Share Award Scheme A") adopted by the Company on 3 July 2007 was terminated on 23 October 2009, and the Board on 11 March 2008 resolved to adopt another share award scheme (the "Share Award Scheme B") (collectively referred to as the "Share Award Schemes"). Share Award Scheme B aims at providing incentives to employees and to retain and encourage employees to contribute to the continual operation and development of the Group, pursuant to which existing Shares will be purchased by the trustee from the market out of cash contributed by the Group and be held in the Share Award Schemes Trust for the relevant selected employees until such shares vest with the relevant selected employees in accordance with the provisions of Share Award Schemes. On 17 March 2011, Share Award Scheme B was amended by the Group, pursuant to which, as an alternative to purchase of Shares on the market for any awards made under Share Award Scheme B, the Board may allot and issue Shares as Awarded Shares and has the discretion to decide whether the Awarded Shares are to be purchased or subscribed. On 21 May 2015, Share Award Scheme B was further amended by the Group, pursuant to which, the scope of its eligible participants was broadened from employees to include not only employees (including executive directors, non-executive director and independent non-executive director) but also advisers, consultants, agents, contractors, clients or suppliers of any member of the Group or any other person whom any committee or sub-committee or person(s) delegated with the power and authorised by the Board to administer Share Award Scheme B (the "Scheme Board") in its sole discretion considers may contribute or have contributed to the Group (the "May expanded Scope of Participants"). Subsequently, the Board proposed to further amend Share Award Scheme B, to revise the May Expanded Scope of Participants to employees (including executive directors, non-executive directors and independent non-executive directors), advisers, consultants, agents, contractors, clients or suppliers of any member of the Group and employees or officers of any affiliated company whom the Scheme Board in its sole discretion considers may contribute or have contributed to the Group (the "New Expanded Scope of Participants"), which has been approved by Shareholders in the extraordinary general meeting of the Company dated 24 December 2015.

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

As at 31 December 2015, 58,361,031 further Awarded Shares might be granted to the New Expanded Scope of Participants of Share Award Scheme B, which represented about 4.60% of the issued Shares as at 31 December 2015.

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

38. SHARE AWARD SCHEME (continued)

Under Share Award Scheme B, Shares would be transferred to the grantees by the Trustee or through allotment and issuance of Shares at nil consideration upon vesting. During the year, a total of 11,120,034 Awarded Shares were vested, in which a total of 9,164,290 Awarded Shares were vested through new issuance of Shares and the remaining 1,955,744 Awarded Shares were vested through purchased Shares by the Trustee on the market under Share Award Scheme B. The total cost of the related vested Shares was HK$8,833,000. As at 31 December 2015, the carrying amount of Shares held for Share Award Scheme B was HK$6,512,000 (31 December 2014: HK$9,629,000).

38.1 As at 31 December 2015, the following Awarded Shares were outstanding under Share Award Scheme B:

	Number of Awarded Shares						
Date of grant	**As at 1 January 2015**	**Granted during the year**	**Vested during the year** *(Note a)*	**Lapsed during the year**	**As at 31 December 2015**	**Remaining vesting period (both dates inclusive)** *(Note b)*	**Fair value per share** *(HK$)*
4 June 2012	7,672,574	–	(7,556,902)	(115,672)	–	N/A	2.74
21 May 2015	–	874,533	(291,510)	–	583,023	1 January 2016 to 31 December 2017	8.20
3 November 2015	–	8,640,235	(2,823,458)	(169,146)	5,647,631	1 January 2016 to 31 December 2017	5.80
14 December 2015	–	1,344,500	(448,164)	–	896,336	1 January 2016 to 31 December 2017	5.59
14 December 2015	–	966,500	–	–	966,500	1 January 2016 to 3 August 2017	5.59
14 December 2015	–	330,000	–	–	330,000	1 January 2016 to 1 November 2017	5.59
14 December 2015	–	600,000	–	–	600,000	1 January 2016 to 3 December 2018	5.59
Total	7,672,574	12,755,768	(11,120,034)	(284,818)	9,023,490		

38. SHARE AWARD SCHEME (continued)

38.2 As at 31 December 2015, the outstanding Awarded Shares of the New Expanded Scope of Participants are as follows:

	Number of Awarded Shares								
	As at 1 January 2015	Granted during the year	Vested during the year *(Note a)*	Lapsed during the year	Re-classified	As at 31 December 2015	Date of grant	Remaining vesting period (both dates inclusive) *(Note b)*	Fair value per share *(HK$)*
Executive directors									
Mr. LI Dongsheng									
(Note c)	-	234,319	(78,106)	-	-	156,213	21 May 2015	1 January 2016 to 31 December 2017	8.20
	-	85,173	(28,391)	-	-	56,782	3 November 2015	1 January 2016 to 31 December 2017	5.80
	-	319,492	(106,497)	-	-	212,995			
Mr. GUO Aiping	-	302,192	(100,731)	-	-	201,461	21 May 2015	1 January 2016 to 31 December 2017	8.20
	-	135,767	(45,256)	-	-	90,511	3 November 2015	1 January 2016 to 31 December 2017	5.80
	-	437,959	(145,987)	-	-	291,972			
Mr. WANG Jiyang	-	114,606	(38,202)	-	-	76,404	21 May 2015	1 January 2016 to 31 December 2017	8.20
	-	51,490	(17,163)	-	-	34,327	3 November 2015	1 January 2016 to 31 December 2017	5.80
	-	166,096	(55,365)	-	-	110,731			
Non-executive directors									
Mr. HUANG Xubin	-	53,341	(17,780)	-	-	35,561	21 May 2015	1 January 2016 to 31 December 2017	8.20
	-	11,081	(3,694)	-	-	7,387	3 November 2015	1 January 2016 to 31 December 2017	5.80
	-	64,422	(21,474)	-	-	42,948			
Mr. YAN Xiaolin									
(Note d)	-	51,011	-	-	(51,011)	-	21 May 2015	1 January 2016 to 31 December 2017	8.20
	-	51,011	-	-	(51,011)	-			
Ms. XU Fang									
(Note e)	-	33,919	-	-	(33,919)	-	21 May 2015	1 January 2016 to 31 December 2017	8.20
	-	33,919	-	-	(33,919)	-			
Mr. LIAO Qian	-	14,344	(4,781)	-	-	9,563	21 May 2015	1 January 2016 to 31 December 2017	8.20
(Note f)	-	2,980	(993)	-	-	1,987	3 November 2015	1 January 2016 to 31 December 2017	5.80
	-	17,324	(5,774)	-	-	11,550			

continued/...

38. SHARE AWARD SCHEME (continued)

38.2 As at 31 December 2015, the outstanding Awarded Shares of the New Expanded Scope of Participants are as follows: (continued)

	Number of Awarded Shares								
	As at 1 January 2015	Granted during the year	Vested during the year *(Note a)*	Lapsed during the year	Re-classified	As at 31 December 2015	Date of grant	Remaining vesting period (both dates inclusive) *(Note b)*	Fair value per share *(HK$)*
Independent non-executive director									
Mr. LAU Siu Ki	-	7,500	(2,500)	-	-	5,000	21 May 2015	1 January 2016 to 31 December 2017	8.20
	-	3,370	(1,123)	-	-	2,247	3 November 2015	1 January 2016 to 31 December 2017	5.80
		10,870	(3,623)			7,247			
Mr. LOOK Andrew	-	7,500	(2,500)	-	-	5,000	21 May 2015	1 January 2016 to 31 December 2017	8.20
	-	3,370	(1,123)	-	-	2,247	3 November 2015	1 January 2016 to 31 December 2017	5.80
		10,870	(3,623)			7,247			
Mr. KWOK Hoi Sing	-	7,500	(2,500)	-	-	5,000	21 May 2015	1 January 2016 to 31 December 2017	8.20
	-	3,370	(1,123)	-	-	2,247	3 November 2015	1 January 2016 to 31 December 2017	5.80
		10,870	(3,623)			7,247			
Sub-total	-	826,232	(247,100)	-	(84,930)	494,202	21 May 2015	1 January 2016 to 31 December 2017	8.20
	-	296,601	(98,866)	-	-	197,735	3 November 2015	1 January 2016 to 31 December 2017	5.80
	-	1,122,833	(345,966)	-	(84,930)	691,937			
New Expanded Scope of Participants	7,672,574	-	(7,556,902)	(115,672)	-	-	4 June 2012	N/A	2.74
(excluded directors	-	48,301	(44,410)	-	84,930	88,821	21 May 2015	1 January 2016 to 31 December 2017	8.20
and their associates)	-	8,343,634	(2,724,592)	(169,146)	-	5,449,896	3 November 2015	1 January 2016 to 31 December 2017	5.80
	-	1,344,500	(448,164)	-	-	896,336	14 December 2015	1 January 2016 to 31 December 2017	5.59
	-	966,500	-	-	-	966,500	14 December 2015	1 January 2016 to 3 August 2017	5.59
	-	330,000	-	-	-	330,000	14 December 2015	1 January 2016 to 1 November 2017	5.59
	-	600,000	-	-	-	600,000	14 December 2015	1 January 2016 to 3 December 2018	5.59
Sub-total	7,672,574	11,632,935	(10,774,068)	(284,818)	84,930	8,331,553			
Total	7,672,574	12,755,768	(11,120,034)	(284,818)	-	9,023,490			

38. SHARE AWARD SCHEME (continued)

Notes:

a. During the year, a total of 11,120,034 Awarded Shares were vested, in which a total of 9,164,290 Awarded Shares were vested through new issuance of Shares and the remaining 1,955,744 Awarded Shares were vested through purchased Shares by the Trustee on the market.

b. During the year, the following Awarded Shares continued to be effective under Share Award Scheme B of the Company:

Date of grant	Number of Awarded Shares granted	Vesting period	Remarks
4 June 2012	A maximum of 40,000,000 Awarded Shares offered by the Company to be awarded to selected employees, among which a total of 27,000,000 Awarded Shares were accepted by the awardees.	4 June 2012 to 4 June 2015: one-third of the said Awarded Shares would be vested after the expiry of 1 year from the date of grant, a further one-third would be vested after the expiry of 2 years from the date of grant, and the remaining one-third would be vested after the expiry of 3 years from the date of grant.	Further details of the said Awarded Shares were set out in the announcement of the Company dated 4 June 2012.
21 May 2015	A maximum of 16,000,000 Awarded Shares offered by the Company to be awarded to selected employees, among which a total of 874,533 Awarded Shares were accepted by the awardees.	21 May 2015 to 31 December 2017: one-third of these Awarded Shares will be vested on 31 December 2015, a further one-third will be vested on 31 December 2016, and the remaining one-third will be vested on 31 December 2017.	Further details of the said Awarded Shares were set out in the announcements of the Company dated 21 May 2015, 26 May 2015, 15 July 2015, 3 November 2015 and 24 December 2015, and circular dated 9 December 2015 respectively.
3 November 2015	A maximum of 8,726,805 Awarded Shares offered by the Company to be awarded to the New Expanded Scope of Participants, among which a total of 8,640,235 Awarded Shares were accepted by the awardees.	3 November 2015 to 31 December 2017: one-third of these Awarded Shares will be vested on 31 December 2015, a further one-third will be vested on 31 December 2016, and the remaining one-third will be vested on 31 December 2017.	Further details of the said Awarded Shares were set out in the announcements of the Company dated 3 November 2015 and 24 December 2015, and circular dated 9 December 2015 respectively.
14 December 2015	A maximum of 3,441,000 Awarded Shares offered by the Company to be awarded to the New Expanded Scope of Participants, among which a total of 3,241,000 Awarded Shares were accepted by the awardees.	14 December 2015 to 31 December 2017 for 1,344,500 Awarded Shares: one-third of these Awarded Shares will be vested on 31 December 2015, a further one-third will be vested on 31 December 2016, and the remaining one-third will be vested on 31 December 2017. 14 December 2015 to 3 August 2017 for 966,500 Awarded Shares: one-third of these Awarded Shares will be vested on 3 February 2016, a further one-third will be vested on 3 November 2016, and the remaining one-third will be vested on 3 August 2017. 14 December 2015 to 1 November 2017 for 330,000 Awarded Shares: one-third of these Awarded Shares will be vested on 1 May 2016, a further one-third will be vested on 1 February 2017, and the remaining one-third will be vested on 1 November 2017. 14 December 2015 to 3 December 2018 for 600,000 Awarded Shares: one-third of these Awarded Shares will be vested on 3 December 2016, a further one-third will be vested on 3 December 2017, and the remaining one-third will be vested on 3 December 2018.	The said Awarded Shares were further approved by the Scheme Board to be granted to New Expanded Scope of Participants.

38. SHARE AWARD SCHEME (continued)

Notes: (continued)

c. These number of unvested Awarded Shares held by Mr. LI Dongsheng contain the number of unvested Awarded Shares held by his spouse;

d. Mr. YAN Xiaolin has resigned on 15 July 2015 as a non-executive director of the Company;

e. Ms. XU Fang has resigned on 21 May 2015 as a non-executive director of the Company; and

f. Mr. LIAO Qian was appointed on 21 May 2015 as a non-executive director of the Company.

39. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 96 and 97 of the financial report.

The Group's contributed surplus represents the excess of the nominal value of the shares and the share premium account of the subsidiaries acquired pursuant to the Group's reorganisation prior to the listing of the Company's shares, over the nominal value of the Company's shares issued in exchange therefor.

Pursuant to the relevant laws and regulations in the PRC and some overseas countries, certain portion of the profits of the Group's subsidiaries established in the PRC and some overseas countries should be transferred to the statutory reserve which is restricted as to use.

The Group's other reserve includes the excess of the consideration over the carrying amount of net assets acquired in business combinations under common control of HK$130,232,000 (31 December 2014: HK$130,232,000) charged to the reserve, the gain on changes in ownership of a subsidiary without loss of control of HK$244,000 (31 December 2014: HK$244,000) and share of other comprehensive income of joint ventures of HK$25,000 (31 December 2014: Nil).

40. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms ranging from one to six years.

At 31 December 2015 and 2014, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2015 HK$'000	2014 HK$'000
Within one year	**10,946**	11,645
In the second to fifth years, inclusive	**11,199**	4,027
Over five years	**–**	26
	22,145	15,698

40. OPERATING LEASE ARRANGEMENTS (continued)

(b) As lessee

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

At 31 December 2015 and 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2015 **HK$'000**	2014 HK$'000
Within one year	**61,450**	122,055
In the second to fifth years, inclusive	**120,320**	133,582
Over five years	**100,142**	130,116
	281,912	385,753

41. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 40(b) above, the Group had the following capital commitments at the end of the reporting period:

	2015 **HK$'000**	2014 HK$'000
Contracted, but not provided for:		
Property, plant and equipment	**4,528**	7,103
Capital contribution payable to an associate	**77,508**	77,576
Capital contribution payable to a joint venture	**28,646**	45,641
	110,682	130,320

42. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

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

	2015 HK$'000	2014 HK$'000
Transactions with the ultimate holding company:		
TCL brand management fee* (note 9)	**20,672**	43,415
Interest expenses	**–**	5,791
Interest income	**2**	–
Purchases of raw materials**	**760**	25,632
Administration fee for purchases of raw materials**	**3**	103
Technology service expense	**1,221**	1,120
Sales of products**	**–**	6
Purchases of products**	**64**	222
Rental charges**	**3,127**	31
Service expenses**	**144**	3,057
Research and development expenses**	**49,702**	52,882
Transactions with fellow subsidiaries:		
Purchases of raw materials**	**1,444,626**	1,798,085
Administration fee for purchases of raw materials**	**5**	4,772
Interest income	**12,257**	8,352
Rental charges**	**46,988**	34,304
Rental income**	**14,856**	7,535
Fees and commission	**473**	892
Sales of raw materials**	**6,714**	7,201
Sales of products and spare parts**	**197,797**	144,357
Purchases of products**	**4,919**	7,591
Purchases of property, plant and equipment**	**317**	118
Service expenses**	**623**	4,074
Service income**	**1,389**	45
Transactions with an associate:		
Service expenses**	**4,443**	–
Sales of products**	**24**	–

* TCL brand management fee was charged on a certain percentage of sales of products with "TCL" brand. The percentage was mutually agreed between the two parties.

** The sales, purchases, administration fee for purchases of raw materials, leasehold transactions, research and development expenses, service expenses and service income with the related parties were made according to prices mutually agreed between the two parties after arm's length negotiations on normal commercial terms or on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties.

42. RELATED PARTY TRANSACTIONS (continued)

(b) Other transactions with related parties

i. The Company's ultimate holding company has guaranteed certain bank loans made to the Group of up to HK$1,185,954,000 (31 December 2014: HK$1,388,240,000) (note 28) as at the end of the reporting period.

ii. On 21 May 2015, Shenzhen TCL Cloud entered into a club membership acquisition agreement with Shenzhen TCL Optoelectronics Tech Co. Ltd ("Shenzhen TCL Optoelectronics", a fellow subsidiary of the Company), to acquire club membership interests at a total consideration of RMB284,526,000 (equivalent to HK$347,500,000) from Shenzhen TCL Optoelectronics. During the year, the amount paid under the club membership acquisition agreement was RMB160,046,000 (equivalent to HK$198,921,000). The remaining consideration of RMB124,480,000 (equivalent to HK$148,579,000) will be paid in form of cash in monthly instalments from January 2016 to September 2017.

(c) Commitments with related parties

i. On 9 August 2012, 17 December 2012 and 26 March 2013, Huizhou TCL Mobile entered into construction management agreements with a term ended in April 2014, October 2014 and December 2015 respectively, with a fellow subsidiary of the Company, TCL Real Estate (Huizhou) Co., Ltd. ("TCL Real Estate"), pursuant to which Huizhou TCL Mobile appointed TCL Real Estate to provide construction management services for its two construction projects. On 6 January 2014, a supplemental agreement was entered into among Huizhou TCL Mobile, TCL Real Estate and TCL Industrial Park Property Management (Huizhou) Ltd. ("TCL Property Management (Huizhou)", a fellow subsidiary of the Company), pursuant to which the parties agreed, with effect from 6 January 2014 to 31 December 2015, TCL Property Management (Huizhou) replaced TCL Real Estate and became one of the contract parties of the construction management agreement, continued to fulfill the responsibilities and obligations, also was entitled to enjoy relevant rights and interests. During the year, the amount of service fees under the construction management agreements was RMB301,000 (equivalent to HK$374,000). The total amount of service fees under the construction management agreements in future is estimated not to exceed RMB27,971,000 (equivalent to HK$33,386,000). The service fees are determined on normal commercial terms and are reached after arm's length negotiation.

ii. On 26 June 2013, a strategic cooperation framework agreement was entered into between the Company and TCL Corporation which is effective from 1 July 2013 to 31 December 2015, pursuant to which TCL Corporation shall provide research and development service to the Company. During the year, the amount of research and development service fees under the agreement was RMB39,989,000 (equivalent to HK$49,702,000). Since the strategic cooperation framework agreement was expired on 31 December 2015, the Company and TCL Corporation have on 24 December 2015 entered into the R&D fund framework (renewal 2015) agreement to continue the relevant continuing connected transactions, which is effective from 1 January 2016 to 31 December 2018. The total amount of research and development service fees under the R&D fund framework (renewal 2015) agreement in future is estimated not to exceed HK$437,000,000. The service fees are determined on normal commercial terms and are reached after arm's length negotiation.

42. RELATED PARTY TRANSACTIONS (continued)

(c) Commitments with related parties (continued)

iii. On 9 October 2014, Best Status Enterprises Limited (a wholly-owned subsidiary of the Company) entered into a shareholder agreement to inject a total amount of US$16,000,000 (equivalent to HK$124,508,000) to Reachfull Investment Limited (a fellow subsidiary of the Company, which is for the purpose of developing the public enterprise cloud services platform with Cisco Systems (Switzerland) GmbH) for subscription of 25% of its equity interests by 3 tranches. There was no subscription under the shareholder agreement paid during the year and the total unpaid subscription of US$10,000,000 (equivalent to HK$77,508,000) will be paid in form of cash in the near future.

iv. On 11 November 2014, Prosper Fortune Enterprises Limited ("Prosper Fortune", a wholly-owned subsidiary of the Company), entered into a joint venture agreement, with two fellow subsidiaries of the Company, Sino Leader (Hong Kong) Limited and Crown Capital Enterprises Limited, to inject a total amount of RMB36,000,000 (equivalent to HK$43,561,000) to TCL Smart Home Technologies Co., Limited which was for the purpose of developing the business of smart home products and services for subscription of 40% of its equity interests by two tranches. During the year, the amount of capital injected by Prosper Fortune under the joint venture agreement was RMB12,000,000 (equivalent to HK$14,915,000). The remaining subscription of RMB24,000,000 (equivalent to HK$28,646,000) will be paid in form of cash in the near future.

v. Huizhou TCL Cloud has entered into a leasehold contract with TCL Corporation, to lease certain premises from TCL Corporation for the Group's operation. Details of the rental commitment related to the leasehold contract are as follows:

Contract date	Lessor	Ending date of contract	Expected rental expenses within one year HK$'000	Expected rental expenses in the second to fifth years, inclusive HK$'000
1 September 2014	TCL Corporation	31 August 2017	3,098	2,066

42. RELATED PARTY TRANSACTIONS (continued)

(d) Outstanding balances with related parties

	Due from related companies		Due to related companies	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current:				
The ultimate holding company	**2,644**	522	**3,360**	345
Fellow subsidiaries	**285,070**	61,860	**140,618**	415,741
Joint ventures	**8,966**	–	**–**	–
	296,680	62,382	**143,978**	416,086
Non-current:				
A fellow subsidiary	**–**	–	**63,677**	–
	296,680	62,382	**207,655**	416,086

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

(e) Compensation of key management personnel of the Group

	2015	2014
	HK$'000	HK$'000
Short-term employee benefits	**13,952**	11,753
Pension scheme contributions	**1,657**	2,370
Share-based payment benefit expenses	**7,331**	6,989
Total compensation paid to key management personnel	**22,940**	21,112

Further details of directors' and the chief executive's emoluments are included in note 11 to the financial statements.

During the year, except for the transactions of acceptance of service and sale of products with an associate with a total amount of HK$4,467,000 (2014: Nil), the transactions with related parties above also constitute continuing connected transactions or connected transactions as defined in Chapter 14A of the Listing Rules and all the applicable requirements under Chapter 14A of the Listing Rules have been complied with.

43. 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:

2015

Financial assets

	Financial assets at fair value through profit or loss HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale investments (note 22)	–	–	352,591	352,591
Trade receivables (note 24)	–	5,824,206	–	5,824,206
Factored trade receivables (note 25)	–	271,167	–	271,167
Notes receivable	–	17,492	–	17,492
Financial assets included in prepayments, deposits and other receivables	–	1,030,971	–	1,030,971
Due from related companies (note 42(d))	–	296,680	–	296,680
Derivative financial instruments (note 31)	93,873	–	–	93,873
Pledged deposits (note 27)	–	1,028,340	–	1,028,340
Cash and cash equivalents (note 27)	–	565,707	–	565,707
	93,873	9,034,563	352,591	9,481,027

2015

Financial liabilities

	Financial liabilities at fair value through profit or loss HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Interest-bearing bank borrowings (note 28)	–	2,981,481	2,981,481
Trade and notes payables (note 29)	–	4,789,906	4,789,906
Bank advances on factored trade receivables (note 25)	–	271,167	271,167
Derivative financial instruments (note 31)	269,776	–	269,776
Financial liabilities included in other payables and accruals	–	1,696,838	1,696,838
Due to related companies (note 42(d))	–	207,655	207,655
	269,776	9,947,047	10,216,823

43. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

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

2014

Financial assets

	Financial assets at fair value through profit or loss HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale investments (note 22)	–	–	227,738	227,738
Trade receivables (note 24)	–	7,872,681	–	7,872,681
Factored trade receivables (note 25)	–	371,380	–	371,380
Notes receivable	–	95,546	–	95,546
Financial assets included in prepayments, deposits and other receivables	–	591,577	–	591,577
Due from related companies (note 42(d))	–	62,382	–	62,382
Derivative financial instruments (note 31)	419,240	–	–	419,240
Pledged deposits (note 27)	–	1,914,380	–	1,914,380
Cash and cash equivalents (note 27)	–	473,391	–	473,391
	419,240	11,381,337	227,738	12,028,315

2014

Financial liabilities

	Financial liabilities at fair value through profit or loss HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Interest-bearing bank borrowings (note 28)	–	3,940,791	3,940,791
Trade and notes payables (note 29)	–	5,166,744	5,166,744
Bank advances on factored trade receivables (note 25)	–	371,380	371,380
Derivative financial instruments (note 31)	49,391	–	49,391
Financial liabilities included in other payables and accruals	–	1,870,975	1,870,975
Due to related companies (note 42(d))	–	416,086	416,086
	49,391	11,765,976	11,815,367

44. TRANSFERS OF FINANCIAL ASSETS

Transferred financial assets that are not derecognised in their entirety

i. As part of its normal business, the Group factored trade receivables to banks on a recourse basis for cash. In the opinion of the directors, as the Group still retained the risks and rewards associated with the delay in payment by the customers, the financial asset derecognition conditions as stipulated in HKAS 39 have not been fulfilled. The Group continued to recognise the full carrying amounts of the factored trade receivables, and accordingly, bank advances from the factoring of the Group's trade receivables have been accounted for as liabilities in the consolidated statement of financial position. The aggregate carrying amount of trade receivables factored as at 31 December 2015 amounted to HK$368,719,000 (31 December 2014: HK$502,772,000) and the carrying amount of factored trade receivables and bank advances on factored trade receivables as at 31 December 2015 amounted to HK$256,813,000 (31 December 2014: HK$368,125,000).

ii. During the year ended 31 December 2015, the Group entered into trade receivable factoring arrangements and transferred certain trade receivables to banks. Under the arrangements, the Group was required to pay interest to the banks during the payment term of trade debtors or a certain period, using the less. The Group is not exposed to default risks of the trade debtors after the transfer. 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. The original carrying value of the trade receivables transferred under the arrangement that have not been settled as at 31 December 2015 amounted to HK$1,103,320,000 (31 December 2014: HK$1,254,722,000). The carrying amount of the assets that the Group continued to recognise and the associated liabilities as at 31 December 2015 amounted to HK$14,354,000 (31 December 2014: HK$3,255,000).

Transferred financial assets that are derecognised in their entirety

As part of its normal business, the Group factored trade receivables to banks on a non-recourse basis for cash. In the opinion of the directors, as the Group has transferred substantially all risks and rewards associated with the factored trade receivables, the financial asset derecognition conditions as stipulated in HKAS 39 have been fulfilled. Accordingly, the Group has derecognised the full carrying amounts of the trade receivables. The aggregate carrying amount of trade receivables transferred as at 31 December 2015 was HK$754,024,000 (31 December 2014: HK$765,822,000).

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

At 31 December 2015, the unlisted available-for-sale investments of HK$201,177,000 (31 December 2014: HK$210,188,000) (note 22) were stated at cost less any impairment losses as the fair value cannot be reliably measured because the probabilities of the various estimates within the range of reasonable fair value estimates cannot be reasonably assessed and used in estimating fair value.

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

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

Fair value hierarchy

As at 31 December 2015, the listed equity investment and the derivative financial instruments measured at fair value held by the Group belong to hierarchy Level 1 and hierarchy Level 2 respectively, as disclosed in the accounting policy.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2014: Nil).

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise interest-bearing bank borrowings, cash and cash equivalents and pledged deposits. 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 Group also enters into derivative transactions, including principally interest rate swaps and forward currency contracts. The purpose is to manage the interest rate risk and foreign currency risk arising from the Group's operations and its sources of finance.

It is, and has been throughout the year, the Group's policy that no trading in any high risk derivatives or leveraged foreign currency contracts.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 5 to the financial statements.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with a floating interest rate. The Group also held interest rate swap contracts designated as hedges in respect of expected interest payments for floating rate debts incurred by the Group.

The following table demonstrates the sensitivity to a reasonably possible change in the United States dollar interest rate of the Group's bank loans and interest rate swaps, with all other variables held constant, of the Group's profit before tax and the Group's equity.

	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax** HK$'000	**Increase/ (decrease) in equity*** HK$'000
2015			
United States dollar	**25**	**(931)**	**–**
United States dollar	**(25)**	**931**	**–**

* Excluding retained profits.

There was no long term debt obligation and thus no significant interest rate risk in 2014.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

The Group has transactional foreign currency exposures. These exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. The Group uses forward currency contracts to reduce the foreign currency exposures.

It is the Group's policy to negotiate the terms of the hedging instruments to match the terms of the hedged item to maximise hedge effectiveness.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities and non-hedging forward currency contracts) and the Group's equity (due to changes in the fair value of hedging forward currency contracts).

	Increase/ (decrease) in exchange rate	**Increase/ (decrease) in profit before tax** HK$'000	**Increase/ (decrease) in equity*** HK$'000
2015			
If Euro strengthens against Hong Kong dollar	**5%**	**5,469**	**(59,443)**
If Euro weakens against Hong Kong dollar	**(5%)**	**(5,469)**	**59,443**
If United States dollar strengthens against RMB	**5%**	**76,577**	**(232,892)**
If United States dollar weakens against RMB	**(5%)**	**(76,577)**	**232,892**
2014			
If Euro strengthens against Hong Kong dollar	5%	(5,348)	(98,080)
If Euro weakens against Hong Kong dollar	(5%)	5,348	98,080
If United States dollar strengthens against RMB	5%	204,850	(258,799)
If United States dollar weakens against RMB	(5%)	(204,850)	258,799

* Excluding retained profits.

Credit risk

The credit risk of the Group's financial assets, which comprise cash and cash equivalents, other receivables, amounts due from related companies, and trade receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approval and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade receivable to ensure that adequate impairment losses are made for irrecoverable amounts. Besides, the Group also utilises factoring facilities and credit insurance to minimise credit risk. In this regard, the directors of the Company consider that the Group's credit risk is minimal.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Concentration of credit risk is analysed by customer/counterparty and by geographical region. There is no significant concentration of credit risk with the Group.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables and other receivables are disclosed in note 24 and note 26 to the financial statements respectively.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings. The maturity profiles of the Group's interest-bearing bank borrowings and derivative financial instruments are disclosed in notes 28 and 31 to the financial statements respectively.

As at 31 December 2015, other financial liabilities excluding interest-bearing bank borrowings and derivative financial instruments of HK$56,990,000 (31 December 2014: HK$35,847,000), HK$6,844,899,000 (31 December 2014: HK$7,789,338,000) and HK$63,677,000 (31 December 2014: Nil) would be repayable on demand, mature within one year and mature in one to five years, respectively.

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. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2015 and 2014.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

The Group monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. The Group's policy is to maintain the gearing ratio at an appropriate level. Net debt includes interest-bearing bank borrowings, trade and notes payables, bank advances on factored trade receivables, other payables and accruals, amounts due to related companies and other non-current liabilities, less cash and cash equivalents and pledged deposits. Adjusted capital includes equity attributable to owners of the parent less hedging reserve. The gearing ratios as at the end of the reporting periods were as follows:

	2015 **HK$'000**	2014 HK$'000
Total interest-bearing bank borrowings	**2,981,481**	3,940,791
Trade and notes payables	**4,789,906**	5,166,744
Bank advances on factored trade receivables	**271,167**	371,380
Other payables and accruals	**3,283,900**	4,953,416
Total due to related companies	**207,655**	416,086
Other non-current liabilities	**283,683**	–
Less: Cash and cash equivalents	**565,707**	473,391
Pledged deposits	**1,028,340**	1,914,380
Net debt	**10,223,745**	12,460,646
Equity attributable to owners of the parent	**3,952,614**	4,088,848
Less: hedging reserve	**(109,303)**	226,008
Adjusted capital	**4,061,917**	3,862,840
Capital and net debt	**14,285,662**	16,323,486
Gearing ratio	**72%**	76%

47. EVENTS AFTER THE REPORTING PERIOD

No significant events occurred after the end of the reporting period and up to the approval date of the financial statements.

48. COMPARATIVE AMOUNTS

As further explained in note 3 to the financial statements, due to the implementation of the Hong Kong Companies Ordinance (Cap. 622) during the current year, 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 year's presentation and disclosures.

49. 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:

	2015 **HK$'000**	2014 HK$'000 (Restated)
NON-CURRENT ASSETS		
Other intangible assets	**258,898**	241,668
Investments in subsidiaries	**1,866,689**	1,840,070
Total non-current assets	**2,125,587**	2,081,738
CURRENT ASSETS		
Due from subsidiaries	**1,898,828**	1,606,646
Prepayments, deposits and other receivables	**5,213**	1,407
Cash and cash equivalents	**3,556**	558
Total current assets	**1,907,597**	1,608,611
CURRENT LIABILITIES		
Interest-bearing bank borrowings	**15,502**	194,018
Due to subsidiaries	**1,332,411**	643,179
Other payables and accruals	**8,944**	8,295
Total current liabilities	**1,356,857**	845,492
NET CURRENT ASSETS	**550,740**	763,119
TOTAL ASSETS LESS CURRENT LIABILITIES	**2,676,327**	2,844,857
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**178,268**	–
Total non-current liabilities	**178,268**	–
Net assets	**2,498,059**	2,844,857
EQUITY		
Share capital	**1,267,799**	1,220,766
Shares held for Share Award Scheme	**(6,512)**	(9,629)
Reserves (note)	**1,236,772**	1,633,720
Total equity	**2,498,059**	2,844,857

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

Note:

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

	Contributed surplus HK$'000	Share premium account HK$'000	Awarded share reserve HK$'000	Share option reserve HK$'000	Retained profits/ (accumulated loss) HK$'000	Total HK$'000
At 1 January 2014	669,907	411,473	38,137	115,744	551,683	1,786,944
Total comprehensive loss for the year	–	–	–	–	(43,866)	(43,866)
Exercise of share options	–	173,433	–	(63,687)	–	109,746
Issue of shares under Share Award Scheme	–	14,749	(21,615)	–	–	(6,866)
Reclassification of lapsed share options	–	636	–	(636)	–	–
Equity-settled share option arrangements	–	–	–	35,499	–	35,499
Share Award Scheme arrangements	–	–	82,583	–	–	82,583
Reclassification of vested awarded shares	–	24,494	(80,651)	–	–	(56,157)
Final 2013 dividend	–	–	–	–	(119,183)	(119,183)
Interim 2014 dividend	–	–	–	–	(154,980)	(154,980)
At 31 December 2014	669,907	624,785	18,454	86,920	233,654	1,633,720
Total comprehensive loss for the year	–	–	–	–	(46,989)	(46,989)
Exercise of share options	–	157,675	–	(54,425)	–	103,250
Issue of shares under Share Award Scheme	–	27,455	(36,619)	–	–	(9,164)
Reclassification of lapsed share options	–	165	–	(165)	–	–
Equity-settled share option arrangements	–	–	–	21,044	–	21,044
Share Award Scheme arrangements	–	–	30,083	–	–	30,083
Reclassification of vested awarded shares	–	(3,474)	(5,359)	–	–	(8,833)
Final 2014 dividend	–	(91,467)	–	–	(233,654)	(325,121)
Interim 2015 dividend	–	(161,218)	–	–	–	(161,218)
At 31 December 2015	669,907	553,921	6,559	53,374	(46,989)	1,236,772

The Company's contributed surplus represents the excess of the nominal value of the shares and the share premium account of the subsidiaries acquired pursuant to the Group reorganisation prior to the listing of the Company's shares, over the nominal value of the Company's shares issued in exchange therefor.

The share option reserve and awarded share reserve comprises the fair value of Share Options and Awarded Shares granted which are yet to be exercised or vested, as further explained in the accounting policies for share-based payments in note 5 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised and Awarded Shares are vested, or be transferred to accumulated loss or retained profits should the related options and awarded shares expire or be forfeited.

50. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 23 March 2016.

Five Years Financial Summary

	Year ended 31 December				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
REVENUE	**28,557,585**	30,691,054	19,362,061	12,031,212	10,653,020
Cost of sales	**(22,525,437)**	(24,773,502)	(15,689,908)	(9,934,637)	(8,324,789)
Gross profit	**6,032,148**	5,917,552	3,672,153	2,096,575	2,328,231
Other income and gains	**804,334**	582,122	512,743	542,841	508,225
Research and development costs	**(1,746,017)**	(1,479,149)	(1,064,154)	(739,654)	(459,223)
Selling and distribution expenses	**(2,076,656)**	(2,420,176)	(1,611,218)	(1,153,653)	(866,262)
Administrative expenses	**(1,547,989)**	(1,246,383)	(946,351)	(657,535)	(558,074)
Other expenses	**(189,478)**	(105,073)	(158,229)	(109,289)	(28,116)
Finance costs	**(140,834)**	(99,513)	(104,983)	(166,009)	(140,051)
Share of profits and losses of associates	**(13,499)**	(364)	(1,581)	(1,753)	(1,381)
Share of losses of joint ventures	**(9,191)**	–	–	–	–
Profit/(loss) before tax	**1,112,818**	1,149,016	298,380	(188,477)	783,349
Income tax	**(55,334)**	(41,476)	17,798	(31,551)	17,296
Profit/(loss) for the year	**1,057,484**	1,107,540	316,178	(220,028)	800,645
ATTRIBUTABLE TO:					
Owners of the parent	**1,056,991**	1,092,507	313,422	(207,840)	799,934
Non-controlling interests	**493**	15,033	2,756	(12,188)	711
	1,057,484	1,107,540	316,178	(220,028)	800,645

	As at 31 December				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
Total assets	**16,606,987**	19,696,156	14,423,024	13,320,833	14,026,819
Total liabilities	**(12,568,650)**	(15,517,074)	(11,509,970)	(10,998,207)	(11,353,748)
Non-controlling interests	**(85,723)**	(90,234)	(3,657)	(1,515)	(4,449)
	3,952,614	4,088,848	2,909,397	2,321,111	2,668,622

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. LI Dongsheng (Chairman)
Mr. GUO Aiping
Mr. WANG Jiyang
Mr. Nicolas Daniel Bernard ZIBELL
(Appointed on 15 July 2015)

Non-executive Directors
Mr. HUANG Xubin
Mr. YAN Xiaolin
(Resigned on 15 July 2015)
Ms. XU Fang
(Resigned on 21 May 2015)
Mr. LIAO Qian
(Appointed on 21 May 2015)

Independent Non-executive Directors
Mr. LAU Siu Ki
Mr. LOOK Andrew
Mr. KWOK Hoi Sing

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

REMUNERATION COMMITTEE
Mr. LAU Siu Ki (Chairman)
Mr. LOOK Andrew
Mr. KWOK Hoi Sing
Ms. XU Fang
(Resigned on 21 May 2015)
Mr. LIAO Qian
(Appointed on 21 May 2015)

NOMINATION COMMITTEE
Mr. KWOK Hoi Sing (Chairman)
Mr. LAU Siu Ki
Mr. LOOK Andrew
Ms. XU Fang
(Resigned on 21 May 2015)
Mr. LIAO Qian
(Appointed on 21 May 2015)

COMPANY SECRETARY
Ms. PANG Siu Yin

AUTHORISED REPRESENTATIVES
Mr. GUO Aiping
Ms. PANG Siu Yin

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

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

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

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

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

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

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

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

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Rooms 1910-12A, 19th Floor, Tower 3
China Hong Kong City
33 Canton Road
Tsimshatsui, Kowloon
Hong Kong

INVESTOR AND MEDIA RELATIONS
Cornerstones Communications Ltd.
19/F. Oriental Crystal Commercial Building
46 Lyndhurst Terrace
Central
Hong Kong

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

WEBSITE
http://tclcom.tcl.com

For more information, please visit the Group's website: http://tclcom.tcl.com