创意感动生活
The Creative Life

TCL MULTIMEDIA TECHNOLOGY HOLDINGS LIMITED

Stock code: 01070

The Creative Life

ANNUAL REPORT
2015

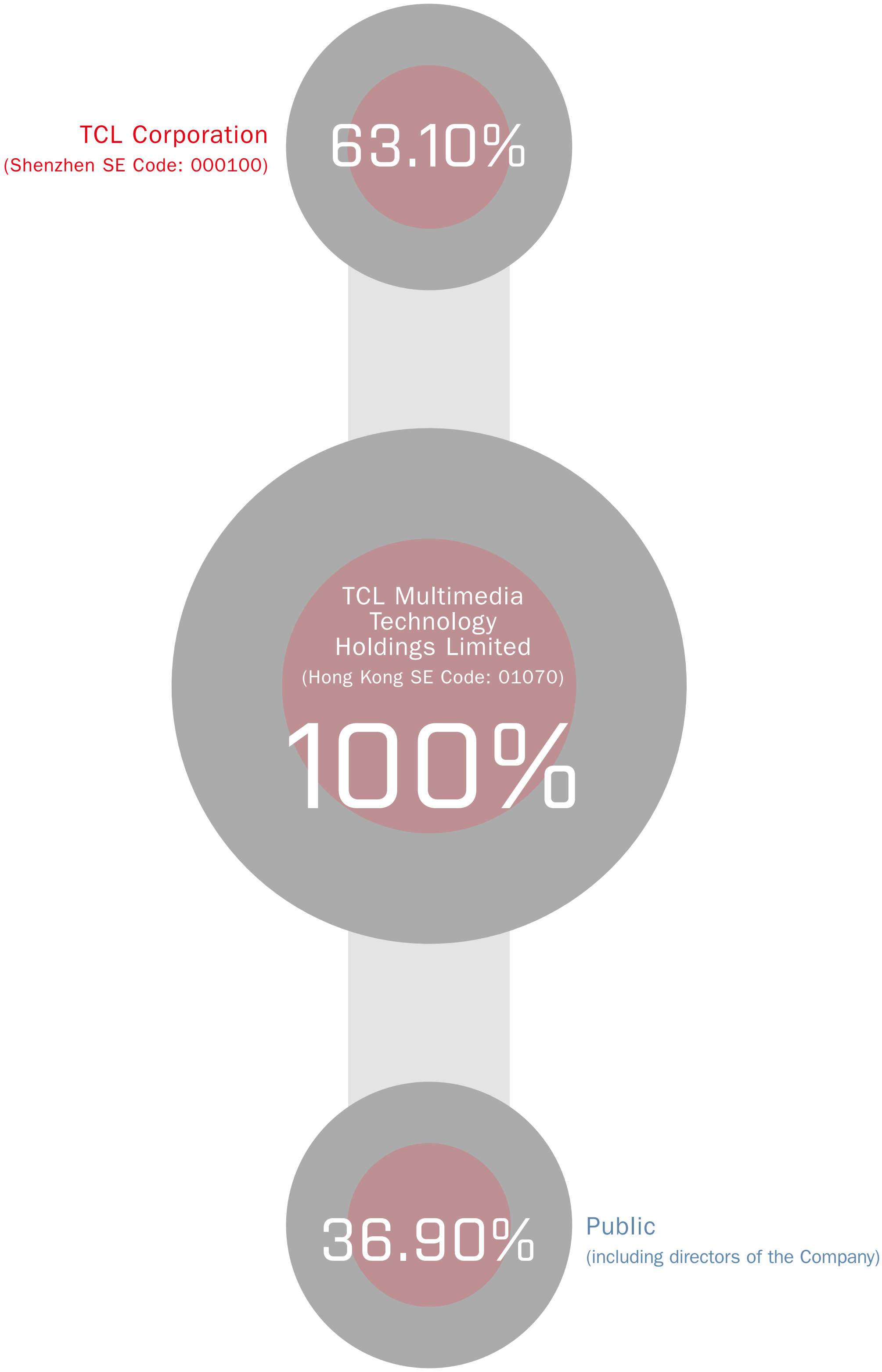

TCL

Contents

Corporate Profile

Headquartered in China, TCL Multimedia Technology Holdings Limited (the "Company", together with its subsidiaries, collectively the "Group") is engaged in the research and development, manufacturing and distribution of consumer electronic products. Its products are sold all over the world. The Group is one of the leading players in the global TV industry. Through a new product-and-user-oriented business model that focuses primarily on a "double +" strategy which includes "intelligence + internet" and "products + services" as the main direction, the Group strives to become a global entertainment technology enterprise that provides integrated entertainment solution to customers. TCL Corporation ("TCL Corporation") is the ultimate holding company of the Company.

Corporate Structure



Year in Review 2015

Year in Review 2015

JANUARY

TCL has been included in the leagues of "Top 50 Global Consumer Electronics Brands" and "Top 10 Consumer Electronics Pioneer Brands of China" for seventh consecutive year, and was honoured with "Top 20 Global Television Brands" at the 48th Consumer Electronics Show ("CES")

APRIL

Unveiled a variety of innovative products developed under the "double +" transformation strategy at 2015 Spring new product presentation in Shenzhen, and also announced the strategic collaboration among TCL, Tencent Holdings Limited and Future TV to establish the strongest internet-based content ecosystem

MAY

Ms. XU Fang has been appointed as an executive director of the Company, a member of the strategy executive committee of the Company ("Strategy Executive Committee") and a member of the remuneration committee of the Company ("Remuneration Committee")

JUNE

Mr. BO Lianming, the chairman of the Strategy Executive Committee and an executive director of the Company, has been appointed as the chief executive officer of the Company

AUGUST

Entered into the Master Qianhai Sailing Cooperation Agreement with Shenzhen Qianhai Sailing Supply Chain Management Co., Ltd. ("Qianhai Sailing"), it sources the goods for the Group in accordance with its production need

Professor SO Wai Man Raymond has been appointed as an independent non-executive director, a member of the audit committee of the Company ("Audit Committee") and the Remuneration Committee, and the chairman of the nomination committee of the Company ("Nomination Committee")

SEPTEMBER

Hosted Autumn new product presentation in Shenzhen

DECEMBER

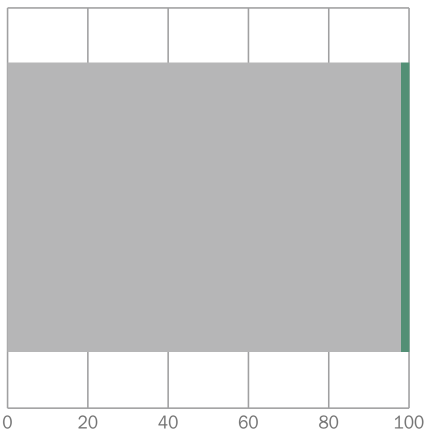
Announced the introduction of Leshi Zhixin Electronic Technology (Tianjin) Co., Ltd (樂視致新電子科技(天津)有限公司) ("Leshi Zhixin") as a strategic investor in December 2015. Leshi Zhixin agreed to subscribe for 348,850,000 shares of the Company at HK$6.50 per share, representing approximately 20.1% of the total issued shares as enlarged by the allotment and issue of the subscription shares

Hosted a press conference for strategic cooperation with Leshi Zhixin in Shenzhen

Financial Performance

(HK$ Million)	2015	2014
Turnover	34,017	33,526
Gross profit	5,753	5,503
Gross profit margin (%)	16.9%	16.4%
Profit attributable to owners of the parent	26	234
Basic EPS (HK cents)	1.94	17.76
Proposed final dividend per share (HK cents)	–	5.28

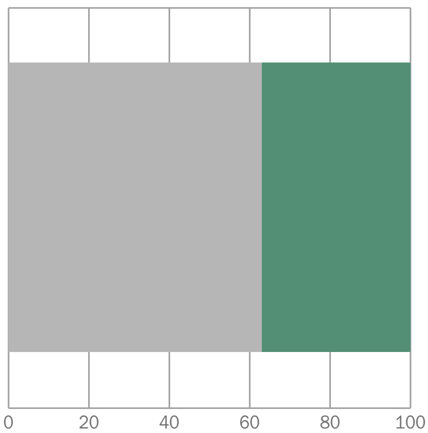
TURNOVER BREAKDOWN BY PRODUCTS



Television 99.5%

Others 0.5%

TV TURNOVER BREAKDOWN BY REGIONAL BUSINESS CENTRES



PRC Market 62%

Overseas Markets 38%

Financial Position

(HK$ Million)	2015	2014
Property, plant and equipment	2,063	2,356
Cash and bank balances	2,215	3,379
Total assets	18,178	21,482
Total liabilities	13,769	16,876
Interest-bearing borrowings	2,605	4,029
Net assets	4,409	4,606

Operation Indicators

	2015	2014
Return on equity (%)	1%	5%
Inventory turnover (days)	52	49
Trade receivables turnover (days)	54	42
Trade payables turnover (days)	65	65
Current ratio	1.2	1.1
Gearing ratio (%)	7.2	10.0

Note: The above turnover days are calculated on average balance of the year.

Chairman's Statement

LI Dongsheng
Chairman

In 2016, the Management will

"Focus on Target,
Achieve Breakthrough
Through Transformation,
Spearhead Internationalisation"

DEAR SHAREHOLDERS,

On behalf of TCL Multimedia, I hereby present to you the annual results for the year ended 31 December 2015.

2015 was a year fraught with challenges. The global economy was plagued by sluggish recovery. The PRC's economic slowdown led to a year-on-year GDP growth of 6.9% in 2015, the slowest pace of growth for the past 25 years. Driven by inadequate overall market demand, the entire consumer electronics industry is subjected to operate in an exceedingly competitive environment.

Performance Review in 2015

Faced with the grim economic situation at home and aboard, we persevered in promoting our two transformation strategies of "double +" and internationalisation, and set 2015 as "the year of Structure and Efficiency". By actively optimising product mix and operational efficiency, and strengthening our four core competencies, our sustained efforts led us to achieve remarkable results in the fourth quarter.

For the year ended 31 December 2015, the Group achieved a turnover of HK$34.02 billion, an increase of 1.5% year-on-year, LCD TV sales volume amounted to 17.34 million sets, an increase of 4.6% year-on year. Gross profit grew by 4.5% year-on-year to HK$5.75 billion, gross profit margin improved from 16.4% of the same period of last year to 16.9%. Operating profit was HK$285 million, and net profit after tax was HK$10.14 million. Profit attributable to owners of the parent amounted to HK$25.81 million. Basic earnings per share was HK1.94 cents.

In 2015, the Group ranked No.3 in the global LCD TV market with a market share of 5.56% according to the latest IHS Technology figures and Company data, and ranked No.3 in the PRC LCD TV market with a market share of 14.04% according to China Market Monitor Co., Ltd. (CMM) report.

Strengthened Cooperation to Accelerate "double +" Transformation

Survival of the fittest is becoming increasingly apparent in the TV industry. Traditional TV manufacturers are facing undulated challenges when it comes to product technology, service capabilities and business models. Striving for enterprise transformation will keep us abreast of these ever-changing market demands. As the entry point at the core of the living room economy, the related applications and services of the smart TV user platform will undergo rapid development in the future. Our efforts to promote the "double +" strategic transformation of "Intelligence + Internet" and "Product + Services" will be the key to building a solid foundation in the construction of an all-encompassing smart TV platform and industry ecosystem.

The Group successfully strengthened its smart TV user operational capabilities in 2015, as the accumulated number of TCL activated smart TV users surpassed the colossal 10.00 million mark milestone to reach to 11.92 million users and the daily average number of active users in December 2015 amounted to 4.80 million (Source: Huan Technology Co., Ltd. ("Huan")).

Last December, the Group was pleased to announce the introduction of Leshi Zhixin as a strategic investor. Leshi Zhixin agreed to subscribe for 348,850,000 shares of the Company at HK$6.50 per share. After the transaction, Leshi Zhixin will hold a 20.1% stake in the Group and be our second largest shareholder. Through this landmark cooperation opportunity, the two parties will tap into the market of large screen internet users in the living room, jointly develop innovative products and high quality content, and vertically integrated services to leverage our combined user base operation and establish mechanism for monetisation of user value in the future. In addition, we will jointly explore in-depth cooperation with respect to supply chain, channel synergy, and after-sales services to promote industry upgrade, accelerate internationalisation, and create new business opportunities and value.

Business Outlook

2016 will be a year marked by challenges and opportunities. The slowdown in global economic growth will linger, and the PRC's economy still faces relatively great downward pressures. On the positive side, the service sector is leading the growth; the manufacturing of mid-to-high end products and the economies of entrepreneurship and innovations are encouraged and supported by the government's policies and will carry the torch as the next drivers of growth. Additionally, the government's "Belt and Road" international strategy has provided better opportunities and conditions for us to accelerate the implementation of our internationalisation strategy. We will continue to accelerate transformation and upgrade, enhance our core competencies, deepen and implement the "Twin Drivers" strategy, aiming to achieve our positioning target of a "global smart products and internet application services enterprise".

First, we will **deepen and implement the "double +" strategic transformation**, and strengthen our user base operational capabilities. By leveraging the open, information-sharing features of the Internet and through Big Data and cloud computing technologies, we are committed to building different web-based applications and service platforms for TCL brand and third-party smart devices, targeting more external users to establish a sizeable internet user platform and strengthen competitiveness. In addition to strengthening our own content service capabilities, we also expect to establish a new business model ecosystem through the cooperation with Leshi Zhixin, and explore complementary advantages between Leshi Zhixin's strengths in smart TV applications and services, content operations, realisation of business and TCL's strengths in smart TV product technology capabilities, user platform services, vertical application projects, and our 10.00 million level user resources, to achieve a mutually beneficial business model.

Second, we will **pursue our internationalisation strategy** and integration of global market resources. As a pioneer among PRC enterprises in the process of internationalisation, we have been continuously enhancing our global layout. After a decade of continuous effort, we have established networks and channels in major countries and regions around the world, and built industrial capabilities in major overseas markets, overseas sales volume and revenue subsequently now account for half of our business. We will also continue to promote the internationalisation strategy of "Three-industry Linkage, Brand Leading and Taking Root in Key Markets". The "Three-industry Linkage" is the team up of TV, mobile phone and home appliance businesses to achieve synergy of different industries. "Brand Leading" is to enhance the construction of brand and sales channels, while establishing industrial and consumer service capabilities in major overseas markets. Synergistic collaboration between brand and business will enhance global market position and operational results.

Third, we will **enhance the core competitiveness of the enterprise**. We will focus on enhancing four core competencies of product technology capabilities, industry capabilities, brand and globalisation capabilities and internet application services capabilities, to maintain the sustainable development of the enterprise.

Product technology capabilities: Against a backdrop of oversupply in the market, we must capitalise on our product technology innovation capabilities to move to the forefront. We will continue to increase R&D investment, strengthen product application technology, R&D of new craftsmanship and materials, improve product industrial design capabilities, and embed more innovative internet application technologies into products.

Industry capabilities: The US's manufacturing recovery, Germany's Industry 4.0 and Made in China 2025 all indicate the strategic importance placed on industry capabilities at a national level. Possessing capabilities in the industry is at our core and TCL's greatest fundamental advantage. In accordance with the standards of Made in China 2025, we will continue to enhance our industry capabilities.

Brand and globalisation capabilities: We will greatly increase the brand power of TCL, first to reach a leading position in the domestic market, and gradually to enhance our influence in key countries and regions in the overseas markets. We have made breakthroughs in brand and sales channel construction in the PRC and North American markets, and will strive for more advancements in major overseas markets.

Internet application services capabilities: In the hardware industry, we will integrate with internet application technology and develop related software based on our smart TVs, smart mobile device and smart home hardware platforms. In addition, through an integrated internet application and services platform, we will consolidate various vertical applications to create greater value for users.

The goal of strengthening our four core competencies is to meet user demand, providing them with the most optimal products and services experience, increasing user loyalty, and enhancing corporate competitiveness and profitability.

In 2016, management will "focus on target, achieve breakthrough through transformation, spearhead internationalisation", and is committed to achieving its LCD TV sales volume target of 20.00 million sets. At the same time, we have the confidence to seize opportunities amidst challenges and crises, are determined to enhance the enterprise's core competencies and profitability to transform from a traditional TV manufacturer to an internet enterprise, bringing rewarding returns for our shareholders.

Finally, on behalf of the Board, I express our sincere gratitude to every shareholder, client, consumer and business partner for their prolonged support. Meanwhile, I would like to thank all the directors, management and colleagues of the Group for their unwavering effort and valuable contributions over the years to enable TCL Multimedia's sustainable and flourishing development.

LI Dongsheng

Chairman

23 March 2016, Hong Kong


TCL
H8800产品系列
我选C1
TCL
行业两大产品形态争议
曲面 vs 超薄
WE+
TCL 2015 秋季新品发布会

BUSINESS REVIEW FOR THE YEAR ENDED 31 DECEMBER 2015

2015 was a year full of challenges. Weakened recovery in the global economy and economic growth slowdown in the PRC led to overall decline in market demand. According to CMM's report, overall sales volume of TVs in the PRC market in 2015 fell by 10.4% year-on-year, while the competition in the industry intensified. In view of the tough market environment, the Group actively enhanced product mix and operational efficiency to achieve significantly better results and improved gross profit in the fourth quarter.

In 2015, the Group's turnover was HK$34.02 billion, up by 1.5% year-on-year. Gross profit increased by 4.5% year-on-year to HK$5.75 billion, gross profit margin increased from 16.4% of the same period of last year to 16.9%. Operating profit was HK$285 million, net profit after tax was HK$10.14 million. Profit attributable to owners of the parent amounted to HK$25.81 million. Basic earnings per share was HK1.94 cents.

For the fourth quarter, the Group achieved a turnover of HK$9.57 billion, representing a decrease of 3.5% year-on-year. Gross profit margin increased by 4.2 percentage points to 21.1% when compared with that in the same period of last year. Operating profit amounted to HK$452 million, net profit after tax was HK$329 million. Profit attributable to owners of the parent was HK$328 million. Basic earnings per share was HK24.62 cents.

There was rapid depreciation of RMB against US dollars in August, and the Group recorded a net loss on the overall foreign currency hedging instruments and exchange of HK$220 million in such RMB depreciation. The Group previously adopted low cost trade finance solution based in the US currency to solve short term funding gaps, with relatively large exposure to US dollars, the depreciation of RMB against US dollars resulted in exchange losses. Starting from September 2015, in order to avoid the risk of continuous fluctuations in RMB in the future, the Group has completely eliminated the exposure to foreign exchange risks generated by RMB against US dollars, with no significant exchange loss in the fourth quarter.

The Group ranked No.3 in the global LCD TV market with a market share of 5.56% in 2015 according to the latest IHS Technology figures and Company data, and ranked No.3 in the PRC LCD TV market with a market share of 14.04% according to CMM’s report.

The Group announced the introduction of Leshi Zhixin as a strategic investor in December 2015. Leshi Zhixin agreed to subscribe for 348,850,000 shares of the Company at HK$6.50 per share, representing approximately 20.1% of the total issued shares as enlarged by the allotment and issue of the subscription shares. Both parties will tap into the market of large screen internet users in the living room, jointly develop innovative products, high quality content and vertically integrated services to leverage their combined user base operation and establish mechanism for monetisation of user value in the future. Through this cooperation, it is expected to realise complementary advantages in user, industry and enterprise value which benefit both parties.

The Group's sales volume of TVs by regions and the number of TCL smart TV users during the year were as follows:

	2015 ('000 sets)	2014 ('000 sets)	Change
LCD TVs	**17,343**	16,574	4.6%
of which: LED backlight LCD TVs	**17,320**	16,517	4.9%
Smart TVs	**6,265**	3,755	66.8%
– PRC Market	**8,715**	8,509	2.4%
– Overseas Markets	**8,628**	8,065	7.0%
Total TV Sales Volume	**17,378**	16,739	3.8%

	Accumulated total as of 31 December 2015	**December 2015**	December 2014	Change	**2015**	2014	Change
Number of TCL activated smart TV users (1)	**11,924,856**	**483,653**	256,259	88.7%	**4,558,404**	2,474,271	84.2%
Daily average number of active users (2)	**N/A**	**4,800,723**	2,268,959	111.6%	**N/A**	N/A	N/A

Notes:

(1) Number of TCL activated smart TV users refers to the number of users who use the internet TV web service for more than once.

(2) Daily average number of active users refers to the number of unrepeated individual users who visit within 7 days.

The PRC Market

In 2015, the Group's LCD TV sales volume in the PRC Market increased by 2.4% year-on-year to 8.71 million sets, turnover grew by 2.4% year-on-year to HK$20.96 billion, gross profit margin was up from 20.6% of the same period of last year to 20.9%. Of which, in the fourth quarter, gross profit margin of LCD TVs increased substantially from 19.8% of the same period of last year to 24.6% due to enhancements in product mix and improved operational efficiency.

With continued product mix enhancements, the proportion of high-end products has been steadily increasing. Market response has been favourable since the launch of the flagship products H8800 series TVs and C1 series TVs.

- Smart TV sales volume increased by 33.9% year-on-year to 4.68 million sets, which accounted for 53.7% of the Group's LCD TV sales volume in the PRC Market. Of which, sales volume of TCL branded smart TVs accounted for 61.5% of the sales volume of TCL branded TVs.

- 4K TV sales volume was 1.73 million sets, which accounted for 19.9% of the Group's LCD TV sales volume in the PRC Market.

- Market share of curved TVs was 17.5%, maintaining its No.1 position among domestic brands in the PRC market (Source: CMM).

- Proportion of sales volume of products with screen size of 55 inches or above increased from 9.2% of the LCD TV sales volume in the PRC Market in 2014 to 16.6% in 2015.

According to CMM's report, TCL's brand price index increased from 80 in December 2014 to 91 in December 2015 and ranked No.3.

The Group continued to strengthen the transformation of distribution channels to promote the development in integration of online and offline channels. Proportion of sales volume from electronic business channels increased from 7.8% in 2014 to 16.1% in 2015.

Overseas Markets

In 2015, the Group's sales volume of LCD TVs increased by 7.0% year-on-year to 8.63 million sets in the Overseas Markets, turnover was up by 5.0% year-on-year to HK$12.87 billion, gross profit margin was down from 10.6% of the same period of last year to 10.3%.

In the fourth quarter, LCD TV sales volume in the Overseas Markets increased by 12.8% year-on-year to 2.19 million sets, turnover increased by 8.6% year-on-year to HK$3.31 billion, gross profit margin grew from 10.5% of the same period of last year to 13.7%. Of which, product mix in the Emerging Markets was significantly enhanced with LCD TV sales volume increased by 16.4% year-on-year.

Performance in the Overseas Markets for the year:

- LCD TV sales volume in the Emerging Markets rose by 8.1% when compared with that in the same period of last year to 1.71 million sets.

- In the North American Market, benefitting from the further expansion of national mainstream sales channels, LCD TV sales volume surged by 180.2% year-on-year.

- LCD TV sales volume in the European Market decreased by 7.1% when compared with that in the same period of last year to 850,000 sets.

- LCD TV sales volume of the Strategic ODM business was down by 2.9% when compared with that in the same period of last year to 5.06 million sets.

The Group continued to optimise product mix and actively promote TV+ strategy overseas, to gradually expand the proportion of paid content users. At the same time, the Group jointly develops smart products with market competiveness with the world's famous internet service providers, including launching Zing TV in the Emerging Markets which received positive response.

Internet Business

Adhering to the promotion of “double +” strategic transformation, the Group actively built TCL TV+ service ecosystem, and established strengthened cooperation with internet service providers in 2015.

As of December 2015, the accumulated number of TCL activated smart TV users totalled 11,924,856 and the daily average number of active users in December 2015 was 4,800,723 (Source: Huan).

- Video-on-demand business totalled 7.66 million users; average daily video-on-demand frequency increased from 11 times in 2014 to 20.2 times in 2015; average daily viewing time increased from 3.2 hours to 4.4 hours.

- Gaming business totalled 4.38 million users; average daily usage time increased from 43 minutes in 2014 to 70 minutes in 2015.

- Education business totalled 1.52 million users; average daily viewing time increased from 13.6 minutes in 2014 to 50 minutes in 2015.

- Lifestyle business went online at the end of July 2015; accumulated users reached 1.10 million.

In 2015, the Group’s revenue from internet business was approximately RMB43.00 million, mostly generated from video-on-demand business. In 2016, the Group’s total service revenue from internet business is targeted at approximately RMB100.00 million.

R&D

For the eighth consecutive year, TCL brand was honoured with “Top 50 Global Consumer Electronics Brands”, “Top 10 Chinese Consumer Electronics Brands” and “Top 20 Global TV” organised by the US International Data Group (“IDG”). Meanwhile, at the CES, the Group launched globally high-end flagship new product QUHD X1 series TV, which was rewarded “2016 Innovation Awards Honoree”, demonstrating to global consumers the innovative technological strengths of Chinese consumer electronics brands.

In 2015, the Group launched various of industry leading products, including the H8800 series TV combining current TV industry’s top two core technologies of quantum dot and curved screen. It was also the first in the industry to release the C1 series TV. The thickness of C1 series is only 5.9 mm, breaking a new record in curved ultra-thin LED TVs. With such advanced technologies and applications as 4000R golden curvature, curved screen with high colour domain technology and high dynamic range imaging, 64-bit high speed chips, and “C movement”, etc., they truly bring five unique experiences that are thin, curved, true, fast, and stylish.

During the year, the Group submitted a total of 495 applications for patent rights, of which 72 invention applications, 147 new model applications and 79 design applications were granted.

Outlook

Affected by sluggish market demand, overall shipment volume in the global TV market declined by 3.7% in 2015 (Source: IHS Technology), while shipment volume in the PRC market grew by 6.3% year-on-year, but it was 1.2% lower when compared to 2013 (Source: CMM). Looking ahead to 2016, the PRC and the global economy are expected to face numerous challenges, with intensifying market competition.

The Group will continue to strengthen enterprise core competencies, promote core strategic transformations of "double +" and internationalisation. Moreover, by taking such measures as enhancing operational efficiency, optimising product mix, reducing system costs, etc., the Group will improve profitability to achieve sustainable growth.

1. The Group will enhance four core competitiveness, improve operational efficiency, in order to further consolidate and increase TV market shares.

- Product technology capabilities: continue to increase investments in R&D to develop more new products with superior technological innovations, performance and design, while maintaining leading advantages in efficiency, speed and cost to establish a comprehensive product line from high-end to mid-to-low end to meet the needs of different markets and customers;

- Industry capabilities: strengthen industrial capacity, including construction of smart factory, industrial technology standards and system management capabilities, etc, to enhance the competitive advantage of internet application services;

- Brand and globalisation capabilities: greatly increase the influence of TCL brand, further consolidate market leading position in the PRC Market, while gradually improve market influence in key countries and regions in the Overseas Markets. At the same time, form business collaborations with mobile business of TCL Communication Technology Holdings Limited ("TCL Communication"), to jointly establish a unified brand image, and increase the global sales volume of TCL branded products; and

- Internet application service capabilities: integrate smart and internet applications technology into products, increase product value and user service revenue through providing complementing internet applications and services, and consolidate various vertical applications through an integrated platform to create greater value for users.

2. The Group will continue to implement the "double +" strategic transformation, establish TV+ smart platform around the TV+ living room economic ecology and competitive O2O business model, to further promote the integration of online and offline operations and strengthen user management capability. Through strategic cooperation with Leshi Zhixin, the Group will achieve new business opportunities and value through the cross-border integration of manufacturing, information technology, internet, content and applications.

3. The Group will continue to pursue internationalisation, and actively implement the TV+ strategy in the Overseas Markets to expand the proportion of paid content users. At the same time, it will consolidate marketing and industrial capacities in the key markets and optimise supply chain management, aiming to improve overall competitiveness and market position.

The Group has set its LCD TV sales volume target at 20.00 million sets for the year 2016. The Group will continue to take full advantage of the resources and market position of TCL Corporation to enhance corporate competitiveness and establish the Group as a "global entertainment technology enterprise", to deliver long-term value and returns to reward shareholders.

FINANCIAL REVIEW

Significant Investments, Acquisitions and Disposals

The Group has the following significant disposal during the year.

On 14 December 2015, the Company disposed of its 100% equity interest in Charter Joy Investments Limited ("Charter Joy", a wholly-owned subsidiary of the Company) together with the related shareholders' loan of approximately HK$194,712,000 to Active Industries International Limited, an associate of T.C.L. Industries Holdings (H.K.) Limited ("T.C.L. Industries"), for a consideration of approximately RMB163,129,000 (equivalent to approximately HK$194,712,000). Charter Joy is an investment holding company and its subsidiary, Chengdu Legao Shidai Industries Co., Ltd, held land use right and certain buildings in Chengdu. The disposal was completed on 14 December 2015. The Group recognised a gain of approximately HK$123,159,000 in the profit or loss for the year ended 31 December 2015.

Liquidity and Financial Resources

The Group's principal financial instruments comprise bank loans, factorings, cash and short-term deposits. The main objective for the use of these financial instruments is to maintain a continuity of funding and flexibility at the lowest cost possible.

The cash and bank balance of the Group as at 31 December 2015 amounted to approximately HK$2,214,927,000, of which 0.7% was maintained in Hong Kong dollars, 45.1% in US dollars, 48.8% in Renminbi, 1.1% in Euros and 4.3% in other currencies for the overseas operation.

There was no material change in the available credit facilities when compared with those for the year ended 31 December 2014. The net carrying amounts of the Group's fixed assets held under finance leases included in the total amounts of furniture, fixtures and equipment and motor vehicles as at 31 December 2015 amounted to approximately HK$5,057,000 (2014:Nil) and approximately HK$3,053,000 (2014: Nil), respectively.

As at 31 December 2015, the Group's gearing ratio was 7.2% which was calculated based on the Group's net borrowing of approximately HK$309,068,000 (calculated as total interest-bearing borrowings less pledged deposits and cash and bank balances) and the equity attributable to owners of the parent of approximately HK$4,296,586,000. The maturity profile of the borrowings ranged from one to three years.

Pledge of Assets

Please refer to notes 24 and 26 to the financial statements.

Capital Commitments and Contingent Liabilities

At the end of the reporting period, the Group had the following capital commitments:

	2015 **HK$'000**	2014 HK$'000
Contracted, but not provided for	**20,858**	61,429
Authorised, but not contracted for	**285,522**	305,633
	306,380	367,062

As at 31 December 2015, the Group did not have any material contingent liability not provided for in the consolidated financial statements.

Pending Litigation

The Group was not involved in any material litigation as at 31 December 2015.

Foreign Exchange Exposure

Due to its international presence and operation, the Group is facing foreign exchange exposure including transaction exposure and translation exposure.

It is the Group's policy to centralise foreign currency management to monitor its total foreign currency exposure, to net off affiliate positions and to consolidate hedging transactions with banks. The Group emphasises on the importance of trading, investing and borrowing in functional currency to achieve natural hedging. In addition, 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.

Employee and Remuneration Policy

As at 31 December 2015, the Group had a total of 24,800 dynamic and talented employees. They were all dedicated to advancing the quality and reliability of our operations. Remuneration policy was reviewed regularly, making reference to current legislation, market condition and both the performance of individual and the Group. In order to align the interests of staff with those of shareholders, share options were granted to relevant grantees including employees under the Company's share option schemes. Options for subscribing a total of 175,897,961 shares remained outstanding at the end of the reporting period.

A restricted share award scheme (the "Award Scheme") was also adopted by the Company on 6 February 2008 and was amended on 11 August 2015. Pursuant to which existing shares would be purchased from the market or new shares would be subscribed for by a designated trustee out of cash contributed by the Company, and would be held on trust for the relevant grantees until such shares are vested with the relevant grantees in accordance with the provisions of the Award Scheme.

Directors and Senior Management

EXECUTIVE DIRECTORS

MR. LI DONGSHENG

Aged 58, is the founder, the Chairman and an Executive Director of the Company. Mr. LI is currently the Chairman, Chief Executive Officer ("CEO") and founder of TCL Corporation. He is also the Chairman and an Executive Director of TCL Communication.

In 1982, Mr. LI graduated from South China University of Technology. He was awarded the "National Model Worker" and the "May 1st Labor" Medal. He was elected as delegate to China's 16th Party Congress, and served as a representative of the 10th, 11th and 12th National People's Congress.

Mr. LI owns a number of prestigious positions as Chairman of China Electronic Imaging Industry Association, Vice Chairman of China Chamber of International Commerce, Chairman of Guangdong Chamber of Home Appliances, Vice Chairman of Guangdong Federation of Industry & Commerce, Chairman of Shenzhen Flat Panel Display Industry Association and Executive Committee member of All-China Federation of Industry & Commerce. He was awarded "China's Economic Person of the Year" in 2002 and 2004 respectively. Mr. LI was named "2004 Asia Businessman of the Year" by *Fortune* magazine and "2004 Top 25 Global Business Leaders" by *Time* magazine and CNN. He received OFFICIER DE LA LEGION D'HONNEUR (French national honor) in the same year. In 2009, he was named "China's Economic Person of the Year – Business Leaders of the Decade" by CCTV. In 2013, Mr. LI was selected as one of the "Best CEOs of Listed Companies in China" by *Forbes* magazine.

EXECUTIVE DIRECTORS

MR. BO LIANMING

Aged 52, is an Executive Director, CEO and the Chairman of the Strategy Executive Committee of the Company. Mr. BO is also an Executive Director, the President of TCL Corporation and the Chairman of Shenzhen China Star Optoelectronics Technology Co., Ltd ("CSOT"). Mr. BO held a number of management positions in TCL Corporation including Vice President and Financial Director of IT Industrial Group, Vice President of Components Strategic Business Unit, Executive Vice President of TTE Corporation, as well as Human Resources Director, Vice President and Senior Vice President of TCL Corporation. Mr. BO has over 15 years of experience in the household electronics products industry. Before joining TCL Corporation in 2000, he was the Chief Accountant of Shenzhen Airlines Co., Ltd.. Mr. BO holds a Doctorate Degree in Business Administration from Xi'an Jiaotong University.

EXECUTIVE DIRECTORS

MR. YAN XIAOLIN

Aged 49, an Executive Director and a member of the Strategy Executive Committee of the Company. Mr. YAN is currently the Chief Technology Officer ("CTO") and the Senior Vice President of TCL Corporation, the President of TCL Corporate Research of TCL Corporation, the Director of CSOT and the Director of US Kateeva Corporation. Mr. YAN joined TCL in May 2001. From May 2001 to December 2004, he served as the Project Manager, Director of Research Institute and Deputy General Manager of the Research & Development Centre of the Company. From December 2004 to October 2005, he was the CTO of Components Strategic Business Unit of TCL Corporation and the Deputy Principal and Acting Principal of TCL Corporate Research. From October 2005 to the present, he is the President of TCL Corporate Research of TCL Corporation. From May 2008 to November 2012, Mr. YAN was the Vice President of TCL Corporation.

Mr. YAN is also the person-in-charge of the expert group of the New Display Key Project of the 12th five-year plan of the Ministry of Science and Technology of the PRC, a Committee Member of the Electrical Technology Committee of the Ministry of Industry and Information Technology of the PRC, the Director-General of the Beijing Chapter of the Society of Information Display (SID), a Director of the Display Technology Committee of the Chinese Vacuum Society, a Director of the Engineering Laboratory of Digital Family Life of the PRC, an Executive Director of the Engineering Technology Research Centre of Digital Family Life of the PRC and the Chairman of the China 3D Industry Association.

Mr. YAN was graduated from the Institute of Plasma Physics of Chinese Academy of Science with a Doctoral Degree in July 1999. From July 1999 to May 2001, he worked as a post-doctoral fellow in the Chinese Academy of Science.

Mr. YAN has nearly 16 years of experience in the high-tech industry and obtains a good reputation in his professional field. He was awarded the PRC Quality Entrepreneur for Endogenous Innovation, special allowance from the State Council of the PRC, the Outstanding Expert of Contribution to Chinese Colour TV, the Innovator for Chinese TV Broadcasting Technology, the Labour Model of Guangdong Province and was honoured the Outstanding National Leader of Shenzhen. In addition, Mr. YAN completed 12 national projects as a person-in-charge, formulated one set of International Electrotechnical Commission international standard and two sets of national standard as a group leader, as well as registered 32 patents of his inventions as the chief inventor, two of which were awarded the Gold Award and Outstanding Award of the PRC National Patent Award respectively.

EXECUTIVE DIRECTORS

MS. XU FANG

Aged 52, is currently a member of the Strategy Executive Committee and the Remuneration Committee and Chief Human Resources Officer ("CHO") of the Company, Vice President of TCL Corporation and Executive President of TCL University of TCL Corporation. Joined TCL Corporation in February 2004, Ms. XU served as the Dean of Institute of Training and the Dean of Academy of Leadership Development of TCL Corporation.

Ms. XU is also an adjunct professor for EMBA program at HSBC Business School of Peking University and an adjunct corporate professor for Entrepreneurship EMBA program at New HuaDu Business School. Ms. XU graduated from Nanjing Normal University majoring in English Linguistics and obtained a Master's Degree in Business Administration from New York Institute of Technology of the United States of America.

NON-EXECUTIVE DIRECTORS

MR. ALBERT THOMAS DA ROSA, JUNIOR

Aged 62, is a Non-executive Director of the Company. He has been a director of the Company since November 1999. Mr. DA ROSA holds both Bachelor's and Master's Law Degrees from the University of Hong Kong. He was qualified as a solicitor in Hong Kong in 1980. He is currently a practicing solicitor and a partner of Messrs. Cheung Tong & Rosa Solicitors, Hong Kong.

Mr. DA ROSA is a fellow of the Chartered Institute of Arbitrators and the Hong Kong Institute of Directors, a member of the Hong Kong Securities and Investment Institute and the Society of Hong Kong Registered Financial Planners and an accredited mediator with certain institutions in the U.K. and Hong Kong.

Mr. DA ROSA is an Independent Non-executive Director of HKC (Holdings) Limited, and the Company Secretary of Y.T. Realty Group Limited and Yugang International Limited, all of which are companies listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

Mr. DA ROSA serves as Chairman of the Appeal Tribunal (Buildings) Panel and the Chairman of the Board of Review (Inland Revenue Ordinance) Panel. He served the Solicitors Disciplinary Tribunal Panel from 1998 to 2014 as member, Deputy Tribunal Convenor and ultimately the Tribunal Convenor. He also served as a member of the Academic and Accreditation Advisory Committee of the Securities and Futures Commission of Hong Kong from 2003 to 2009.

NON-EXECUTIVE DIRECTORS

MR. HUANG XUBIN

Aged 50, is a Non-executive Director and a member of the Audit Committee of the Company, an Executive Director and Chief Financial Officer ("CFO") of TCL Corporation, and a Non-executive Director of TCL Communication.

Mr. HUANG joined TCL in March 2001 and served as an Officer and Manager of the Financial Settlement Centre of TCL Corporation, the Chief Economist, Vice President and Financial Director of TCL Corporation, and General Manager of TCL Finance Co., Ltd. ("Finance Company"). At present, Mr. HUANG is also the Chairman of Finance Company, the director of Shenzhen TCL Real Estate Co., Ltd, the director of Huizhou TCL Home Appliance Group Co. Ltd, and the Chairman of Huizhou City Zhongkai TCL Zhi Rong Technology Small Loans Co., Ltd, the Chairman of Shenzhen Qianhai Commerce Payment Technology Co., Ltd, the Chairman of Han Lin Hui Information Industry Co., Ltd, the Chairman of TCL Finance Holdings Group (Shenzhen) Co., Ltd, the Chairman of TCL Finance Technology (Shenzhen) Co., Ltd, the Chairman of TCL Finance Service (Shenzhen) Co., Ltd, the Chairman of TCL Business Factoring (Shenzhen) Co., Ltd. and the Chairman of Bank of Shanghai Co., Ltd.

Before joining TCL, Mr. HUANG served as Head of Credit Facilities Department of China Construction Bank, Guangdong Branch, Manager of Guotai Junan Securities Co. Ltd., Guangzhou Branch, and Senior Manager of Guangzhou Office of China Cinda Asset Management Co., Ltd. Mr. HUANG is a Senior Economist. He graduated from Hunan University (formerly known as Hunan College of Finance and Economics), and obtained a Master's Degree in Economy at Research Institute for Fiscal Science, Ministry of Finance, the PRC, and holds an EMBA Degree from China Europe International Business School.

INDEPENDENT NON-EXECUTIVE DIRECTORS

MR. ROBERT MAARTEN WESTERHOF

Aged 72, is an Independent Non-executive Director of the Company. He has over thirty years' experience in the electronics industry. Mr. WESTERHOF had held senior management positions in the Computer, Telecommunications and Medical Systems divisions of Philips, his last positions were CEO of Philips Asia (based in Hong Kong and Shanghai) and CEO of Philips North America (based in New York). After his retirement from Philips, Mr. WESTERHOF became the President of the European top soccer team PSV Eindhoven (a voluntary job). Mr. WESTERHOF is the Co-Chairman of Thinktank Omega, an independent think tank that advises the government of the Netherlands on economics, financial and social issues and the Chairman of Supervisory Board of AND Technologies N.V., a global leading provider of navigation solutions and digital maps which listed on the Amsterdam Stock Exchange. Mr. WESTERHOF is a member of the Supervisory Board of Teleplan, a hardware services provider headquartered in the Netherlands. Mr. WESTERHOF also serves as the Chairman of the Supervisory Board of Sparta Beheer B.V., and an advisor of the Supervisory Board of Suncycle B.V., a company specialized in advanced concentrated solar technologies in the Netherlands, and the Chairman of the Advisory Board of WSS Ltd., which is a worldwide operating company specialized in planning systems of waste management of the major cities in the world.

Mr. WESTERHOF holds a Master's Degree in Business Administration at the Erasmus University of Rotterdam, the Netherlands, and he has also completed Harvard Business School's Advanced Management Program and International Senior Management Program.

INDEPENDENT NON-EXECUTIVE DIRECTORS

DR. TSENG SHIENG-CHANG CARTER

Aged 67, is an Independent Non-executive Director, the Chairman of the Remuneration Committee, and a member of the Audit Committee and the Nomination Committee of the Company. Dr. TSENG served as an Independent Non-executive Director of TCL Corporation from 20 June 2008 to 20 June 2011. Dr. TSENG is currently a Senior Consultant of the Shenzhen Municipal Government, Senior Consultant of Tianjin Economic-Technological Development Area and the Executive Chairman of "Nankai International Business Forum". Dr. TSENG also serves as adjunct professor at a number of renowned universities over the globe including the University of Alberta (Canada), the City University of Hong Kong, the Nankai University in Tianjin, the Sichuan University and the University of Electronic Science and Technology of China in Chengdu. Dr. TSENG is also a member of the U.S.-based "Committee of 100".

Dr. TSENG holds a Bachelor of Science in Electrical Engineering from the National Taiwan University, he then pursued further studies at the University of California where he received his Master and Doctoral degrees in Computer Science and Electronics Engineering. Dr. TSENG has over 31 years of experience in the high-tech industry. While in the U.S., Dr. TSENG worked at PARC (XEROX Research Center) in Silicon Valley and various U.S. based companies including Lockheed Aircraft Co. and NRL. Dr. TSENG then returned to Taiwan in 1980, and was a Co-Founder of MICROTEK which was listed in 1988 – the world class leader in the Image Scanner industry, one of the first and most successful listed high-tech companies based in Taiwan Hsinchu Science Park. Dr. TSENG has also drawn on his rich experience to coaching and mentoring executives and managers in the high-tech arena. In 1998, Dr. TSENG set up the "Little Dragon Foundation" with a mission to guide entrepreneurs of tomorrow, which has served many large corporations in the PRC. Dr. TSENG also serves as the overseas director of Canada National Institute of Nano-Technology and a director of China National Academy of Nano-Technology & Engineering.

INDEPENDENT NON-EXECUTIVE DIRECTORS

PROFESSOR SO WAI MAN RAYMOND

Aged 50, Justice of the Peace (JP), is an Independent Non-executive Director, the Chairman of the Audit Committee, and a member of the Nomination Committee and the Remuneration Committee of the Company. He is currently the Dean of School of Business and a Professor of Finance at Hang Seng Management College. Professor SO was formerly an Associate Dean (Undergraduate Studies) of the Faculty of Business Administration at the Chinese University of Hong Kong from 1997 to 2010.

Professor SO graduated from the Chinese University of Hong Kong with a Bachelor of Business Administration and a Master of Business Administration. He then pursued further studies at Louisiana State University where he received his Doctoral degree in Finance. Professor SO also obtained a Bachelor of Laws at Tsinghua University.

Professor SO's research findings and views have been widely quoted or reported in local and international journals and media. Apart from his academic endeavors, Professor SO also holds various positions in public services in energy and housing.

INDEPENDENT NON-EXECUTIVE DIRECTORS

PROFESSOR WANG YIJIANG

Aged 62, is an Independent Non-executive Director, the Chairman of the Nomination Committee, and a member of the Audit Committee and the Remuneration Committee of the Company. He is currently the Professor of Economics and Human Resource Management and an Academic Associate Dean at Cheung Kong Graduate School of Business (in charge of the Shenzhen campus), a research fellow at the William Davidson Institute of Transition Economics at the University of Michigan and a senior fellow at the National Center of Economic Research, Tsinghua University. He served as Vice President of the Chinese Economists Society of North America. He was also a Professor Emeritus of Human Resource Management at the Carlson School of Management of University of Minnesota.

His research areas cover human resource management, labour and personnel economics, comparative international management systems, economics of transition and emerging markets and economics of organisation, and his research findings have been frequently quoted.

Professor WANG graduated from the Peking University with a Bachelor's degree in Economics and a Master's degree in United States Economy in 1982 and 1985 respectively. He then pursued further studies and obtained a Master's degree and a Doctor of Philosophy degree in Economics at the Harvard University in 1989 and 1991 respectively.

SENIOR MANAGEMENT

MR. WANG YI, MICHAEL

Aged 38, a member of the Executive Committee of the Company, is currently the CFO of the Company. He joined the Company in September of 2013, and held the positions of Vice President and Financial Controller of the Company. From 1999 to 2001, Mr. WANG was a Cost Accountant and Budget Supervisor in Financial Department in Compressor Business Unit of Midea Group. In 2002, he worked as a Planning and Investment Manager in Business Strategy and Investment Management Department of Midea Group. From 2003 to 2009, he served as Head of Business Management Department and Finance Department in the Microwave Electronics Business Unit of Midea Group. From 2009 to 2012, he worked as the First Vice President to oversee Finance, HR, IT and Legal affairs in Twins Group. In July 1998, he graduated from Jiangxi University of Finance and Economics with a Bachelor degree in Accounting Department. In July 2008, he obtained an EMBA Degree from China Europe International Business School.

MR. XIANG ZHENG, ALEX

Aged 46, is a member of the Executive Committee of the Company, joined the Company in November 2014. He is currently the Chief Operating Officer ("COO"), General Manager of Operating Center and General Manager of Product Center of the Company.

From 2008 to 2013, Mr. XIANG served as Senior Director of Motorola Mobility and Vice President of Lenovo Mobile. From 2000 to 2007, Mr. XIANG worked in TCL Corporation and held the positions of Vice General Manager and Executive Vice General Manager of TCL Computer Technology Co., Ltd, Vice President of TCL Communication and General Manager of China Business Centre. He was also a member of Operation Management Committee of TCL Corporation. Before joining TCL, he worked in Qingdao Hisense Computer Co., Ltd and China Greatwall Computer Shenzhen Co., Ltd.

In 1990, Mr. XIANG graduated from Hunan University with a Bachelor of Science in Computer Communications. In 1993, he graduated from University of Electronic Science and Technology of China and received a Master's Degree of Engineering in Communication Engineering. In 2005, he graduated from China Europe International Business School and obtained an EMBA Degree.

SENIOR MANAGEMENT

MR. CHEN KUANG-LANG, WOLF

Aged 51, a member of the Executive Committee of the Company, joined the Company in February 2011, is currently the CTO and General Manager of R&D Centre of the Company, and also Vice President of TCL Corporate Research Institute.

Mr. CHEN is an expert in video-signal-processing and flat-panel-display related technologies. From July 1992 to September 2010 he worked for Chunghwa Picture Tubes, Ltd. and had held the positions of Senior Engineer of Picture R&D Division, Manager of Opto-electronics Department, Manager of Array Engineering Department in TFT Factory, Director of Opto-electronics Division, Director, Chief Engineer, and Deputy General Manager of Opto-electronics Business Unit, and Senior Vice General Manger of R&D Centre. In October 2010, Mr. CHEN joined TCL Group as Vice President of TCL Corporate Research Institute.

Mr. CHEN graduated from Department of Electronics Engineering, Taiwan University of Science and Technology in 1992 with a Master's Degree in engineering. In 2009, he graduated from Department of International Business Management, College of Management of Taiwan University, with an EMBA Degree.

BOARD OF DIRECTORS

Executive Directors

Mr. LI Dongsheng (Chairman)
Mr. BO Lianming (appointed as the chief executive officer with effect from 25 June 2015)
Mr. HAO Yi (ceased to be the chief executive officer with effect from 25 June 2015 and resigned as an executive director with effect from 18 September 2015)
Mr. YAN Xiaolin
Ms. XU Fang (appointed as an executive director with effect from 21 May 2015)

Non-Executive Directors

Mr. Albert Thomas DA ROSA, Junior
Mr. HUANG Xubin
Mr. SHI Wanwen (resigned as a non-executive director with effect from 21 May 2015)

Independent Non-Executive Directors

Mr. TANG Guliang (resigned as an independent non-executive director with effect from 1 February 2016)
Mr. Robert Maarten WESTERHOF
Ms. WU Shihong (resigned as an independent non-executive director with effect from 12 August 2015)
Dr. TSENG Shieng-chang Carter
Professor SO Wai Man Raymond (appointed as an independent non-executive director with effect from 12 August 2015)
Professor Wang Yijiang (appointed as an independent non-executive director with effect from 1 February 2016)

COMPANY SECRETARY

Ms. PANG Siu Yin, Solicitor, Hong Kong

AUDITOR

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

LEGAL ADVISOR

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

PRINCIPAL 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 REGISTRAR

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

PRINCIPAL OFFICE

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

REGISTERED OFFICE

P.O. Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

INVESTOR AND MEDIA RELATIONS

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

INTRODUCTION

The board of directors of the Company (the "Board") aims to achieve a high standard of corporate governance and business ethics in pursuing its mission of becoming the world's leader in the multimedia industry. The Group's ultimate goal is to maximise values for its shareholders and customers, and to provide opportunities for employees.

On 13 August 2013, the Company has adopted a corporate governance code prepared based on the code provisions (the "Code Provisions") of the latest revised code on corporate governance (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Hong Kong 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 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 other pre-arranged business commitments which must be attended:

(i) Mr. Albert Thomas DA ROSA, Junior, Mr. HUANG Xubin and Mr. SHI Wanwen, being non-executive directors of the Company, and Dr. TSENG Shieng-chang Carter, being an independent non-executive director of the Company, were not present at the annual general meeting ("AGM") of the Company held on 28 April 2015;

(ii) Mr. Albert Thomas DA ROSA, Junior and Mr. HUANG Xubin, being non-executive directors of the Company, and Mr. TANG Guliang and Dr. TSENG Shieng-chang Carter, being independent non-executive directors of the Company, were not present at the extraordinary general meeting ("EGM") of the Company held on 11 August 2015; and

(iii) Mr. HUANG Xubin, being a non-executive director of the Company, and Mr. TANG Guliang, Mr. Robert Maarten WESTERHOF and Dr. TSENG Shieng-chang Carter, being independent non-executive directors of the Company, were not present at the EGM of the Company held on 25 September 2015.

However, (i) Mr. TANG Guliang, Mr. Robert Maarten WESTERHOF and Ms. WU Shihong, all of them being independent non-executive directors of the Company, were present at the aforesaid AGM held on 28 April 2015; (ii) Mr. Robert Maarten WESTERHOF and Ms. WU Shihong, both being independent non-executive directors of the Company, were present at the EGM held on 11 August 2015; and (iii) Mr. Albert Thomas DA ROSA, Junior, being a non-executive director of the Company and Professor SO Wai Man Raymond, being an independent non-executive director of the Company, were present at the EGM held on 25 September 2015 to ensure an effective communication with the shareholders thereat.

Under Code Provision D.1.4, all 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.

The Company has no formal letters of appointment for its directors (except for Mr. YAN Xiaolin who was appointed as a non-executive director of the Company on 24 April 2013, Ms. XU Fang who was appointed as an executive director of the Company on 21 May 2015 and Professor SO Wai Man Raymond who was appointed as an independent non-executive director of the Company on 12 August 2015) 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 appointment already exists between the Company and the directors, and so there is no written record of the same. In any event, all directors, including those without a letter of appointment and those appointed for a specific term, shall be subject to retirement by rotation in the manner prescribed under the articles of association of the Company ("Articles") and on re-election of the retiring directors, shareholders are given information that is reasonably necessary for them to make an informed decision on the reappointment of the relevant directors.

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

The company secretary of the Company, Ms. PANG Siu Yin ("Ms. PANG"), is a partner of the Company's legal advisor, Messrs. Cheung Tong & Rosa Solicitors. Ms. PANG has been appointed as the company secretary of the Company since 1999. The Company has also assigned Mr. SIN Man Lung, financial controller of the Company, as the contact person with Ms. PANG. Information in relation to the performance, financial position and other major developments and affairs of the Group (including but not limited to the management monthly report to the Board) are speedily delivered to Ms. PANG through the contact person assigned. Given the long-term relationship between Ms. PANG and the Group, Ms. PANG is very familiar with the operations of the Group and has an in depth knowledge of the management of the Group. Having in place a mechanism that she will get hold of the Group's development promptly without material delay and with her expertise and experience, the Board 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.

Board Composition

There are currently 10 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. BO Lianming (CEO)
Mr. YAN Xiaolin
Ms. XU Fang

Non-executive Directors
Mr. Albert Thomas DA ROSA, Junior
Mr. HUANG Xubin

Independent Non-executive Directors
Mr. Robert Maarten WESTERHOF
Dr. TSENG Shieng-chang Carter
Professor SO Wai Man Raymond
Professor WANG Yijiang

* Mr. HAO Yi (former executive director), Mr. SHI Wanwen (former non-executive director), Mr. TANG Guliang (former independent non-executive director) and Ms. WU Shihong (former independent non-executive director) resigned respectively with effect from 18 September 2015, 21 May 2015, 1 February 2016 and 12 August 2015.

An updated list of the Company's directors by category identifying their role and function is at all times available on the websites of the Company and the Hong Kong Stock Exchange. The list specifies whether the director is an independent non-executive director and expresses the respective roles and functions of each director.

The Company identifies the independent non-executive directors in all corporate communications which disclose the names of directors.

Details of the biographies of the directors are given under the section "Directors and Senior Management" of this annual report on pages 26 to 38.

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 of the Company 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 or accounting or related financial management expertise. The number of independent non-executive directors has represented at least one-third of the Board.

Number of meetings attended/eligible to attend in 2015

During 2015, the Board held 4 regular meetings at about quarterly intervals and 9 additional meetings. As regards general meetings, the Company held the AGM on 28 April 2015 and 2 EGMs during the year to consider the following matters: (i) certain continuing connected transactions; (ii) amendment of the Company's Award Scheme; (iii) grant of new shares as restricted shares which exceeded 3% of the total number of issued shares of the Company; (iv) grant of restricted shares being new shares to connected persons; and (v) appointment of directors.

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	2/9	1/3
Mr. BO Lianming	4/4	9/9	1/3
Mr. HAO Yi (Note 1)	3/3	3/7	0/2
Mr. YAN Xiaolin	4/4	8/9	0/3
Ms. XU Fang (Note 2)	1/2	4/5	1/2
Non-executive Directors			
Mr. Albert Thomas DA ROSA, Junior	4/4	8/9	1/3
Mr. HUANG Xubin	4/4	8/9	0/3
Mr. SHI Wanwen (Note 3)	2/2	4/4	0/1
Independent non-executive Directors			
Mr. TANG Guliang (Note 4)	4/4	8/9	1/3
Mr. Robert Maarten WESTERHOF	4/4	9/9	2/3
Ms. WU Shihong (Note 5)	3/3	5/6	2/2
Dr. TSENG Shieng-chang Carter	3/4	7/9	0/3
Professor SO Wai Man Raymond (Note 6)	1/1	3/3	1/1
Professor WANG Yijiang (Note 7)	N/A	N/A	N/A

Notes:

1. Mr. HAO Yi resigned as an executive director of the Company with effect from 18 September 2015.

2. Ms. XU Fang was appointed as an executive director of the Company with effect from 21 May 2015.

3. Mr. SHI Wanwen resigned as a non-executive director of the Company with effect from 21 May 2015.

4. Mr. TANG Guliang resigned as an independent non-executive director of the Company with effect from 1 February 2016.

5. Ms. WU Shihong resigned as an independent non-executive director of the Company with effect from 12 August 2015.

6. Professor SO Wai Man Raymond was appointed as an independent non-executive director of the Company with effect from 12 August 2015.

7. Professor WANG Yijiang was appointed as an independent non-executive director of the Company with effect from 1 February 2016.

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

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

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

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

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

According to the current Board 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 legal action against its directors and officers arising out of corporate activities.

Chairman and CEO

The Company fully supports the division of responsibility between the Chairman of the Board and the CEO to ensure a balance of power and authority, and adopted a set of consolidated memorandum of duties setting out its division of responsibilities between the Chairman and the CEO on 24 February 2012. During the year ended 31 December 2015, the position of the Chairman was held by Mr. LI Dongsheng while the position of CEO was held by Mr. HAO Yi (until 25 June 2015) and Mr. BO Lianming (with effect from 25 June 2015).

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

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, discusses 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;

- 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 opinion exchange gathering whereby a broad range of strategic and performance matters were openly discussed; and

- ensuring the effective communication between the Board and the shareholders as a whole through different channels.

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

Under article 116 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 3 years while those retiring directors shall be eligible for re-election. Any director who has not been subject to retirement by rotation in the 3 years preceding the AGM shall retire by rotation at such AGM.

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, at least one-third of the directors (namely Mr. BO Lianming, Mr. HUANG Xubin, Mr. Robert Maarten WESTERHOF and Ms. WU Shihong) were subject to retirement by rotation and were re-elected.

Independent Non-executive Directors

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

Mr. Robert Maarten WESTERHOF has served the Company for more than 9 years, since his appointment in 2006. However, the Company believes that Mr. Robert Maarten WESTERHOF is still independent. Mr. Robert Maarten WESTERHOF's appointment was approved by shareholders in the AGM held on 28 April 2015. The circular accompanying that resolution has included the reasons why the Board believed he was still independent and should be re-elected.

The Company confirms that year of service of all other independent non-executive directors is less than 9 years.

Non-executive Directors

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

The appointment of Professor WANG Yijiang, appointed with effect from 1 February 2016 is subject to election by the shareholders of the Company at the forthcoming AGM.

All the other non-executive directors (namely Mr. Albert Thomas DA ROSA, Junior, Mr. HUANG Xubin, Mr. Robert Maarten WESTERHOF, Dr. TSENG Shieng-chang Carter and Professor SO Wai Man Raymond) were elected to hold office for a specific term until the AGM to be held in 2017 or 2018, depending on the year in which they previously retired by rotation and were thereafter re-elected.

Nomination of Directors

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

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

Responsibilities of Directors

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

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

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

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

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

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

Induction and Continuous Professional Development

The directors are continually updated with legal and regulatory developments, and business and market changes to facilitate the discharge of their responsibilities through various Board meetings, resolutions, memos and Board papers. According to the records maintained by the Company, the directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the requirement of the Code on continuous professional development during the period from 1 January 2015 to 31 December 2015:

Directors	Read materials	Attend seminars/ briefings
Executive Directors		
Mr. LI Dongsheng	✓	–
Mr. BO Lianming	✓	–
Mr. YAN Xiaolin	✓	–
Ms. XU Fang	✓	–
Non-executive Directors		
Mr. Albert Thomas DA ROSA, Junior	✓	✓
Mr. HUANG Xubin	✓	–
Independent Non-executive Directors		
Mr. Robert Maarten WESTERHOF	✓	–
Dr. TSENG Shieng-chang Carter	✓	–
Professor SO Wai Man Raymond	✓	–
Professor WANG Yijiang*	N/A	N/A

* appointed after 31 December 2015

Securities Transactions Guidelines

The Board has adopted a code of conduct regarding directors' securities transaction on terms no less exacting than the required standard as set out in the Model Code 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 and they have confirmed that throughout the year ended 31 December 2015, they complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions.

The directors' interests in shares of the Company as at 31 December 2015 are set out on page 78 of this annual report.

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

DELEGATION BY THE BOARD

Management Functions

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

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 reappointment of Board members, senior management and auditors;
- remuneration of directors and senior management; and
- communication with key stakeholders, including shareholders and regulatory bodies.

The types of decisions that the Board has delegated to the management include:

- approving the extension of the Group's activities not in a material manner into a new geographic location or a new business;
- approving assessing and monitoring the performance of all business units and ensuring that all necessary corrective actions have been taken;
- approving expenses up to a certain limit;
- approving the entering into of any connected transactions not requiring disclosure under the Listing Rules;

- approving the nomination and appointment of personnels other than the member of the Board, senior management and auditors;

- approving press release concerning matters decided by the Board;

- approving any matters related to routine matters or day-to-day operation of the Group (including the entering into of any transaction not requiring disclosure under the Listing Rules and cessation of non-material part of the Group's business); and

- carrying out any other duties as the Board may delegate from time to time.

Operation

To facilitate the strategic development of the Company, enhance its operation efficiency and core competitiveness and improve its management and decision-making procedures, the Board transformed the predecessor executive committee into the Strategy Executive Committee on 23 October 2014 with specific written terms of reference.

Currently the Strategy Executive Committee comprises 3 executive directors, namely Mr. BO Lianming (Chairman), Mr. YAN Xiaolin and Ms. XU Fang.

The Board grants and delegates its powers to the Strategy Executive Committee to take responsibility for the operation and management of the Group, to lead the development of the Group in relation to exploring new directions and modes of business, to improve management flow and to enhance the operation and management efficiency.

Board Committees

In 2015, the Board had four Board Committees. The four committees under the Board are the Strategy Executive Committee, the Remuneration Committee, the Audit Committee and the Nomination Committee, all with specific terms of reference, to oversee particular aspects of the Group's affairs.

Attendance of the relevant members of the Board Committee at the meetings of the committees in 2015 is as follows:

	Strategy Executive Committee Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings
Executive Directors				
Mr. LI Dongsheng	N/A	N/A	N/A	N/A
Mr. BO Lianming	1/1	N/A	N/A	N/A
Mr. HAO Yi#	1/1	N/A	N/A	N/A
Mr. YAN Xiaolin	1/1	N/A	N/A	N/A
Ms. XU Fang	N/A	N/A	1/1	N/A
Non-executive Directors				
Mr. Albert Thomas DA ROSA, Junior	N/A	N/A	N/A	N/A
Mr. HUANG Xubin	N/A	5/5	N/A	N/A
Mr. SHI Wanwen#	N/A	N/A	N/A	N/A
Independent non-executive Directors				
Mr. TANG Guliang△	N/A	5/5	3/3	2/2
Mr. Robert Maarten WESTERHOF	N/A	N/A	N/A	N/A
Ms. WU Shihong#	N/A	3/3	3/3	2/2
Dr. TSENG Shieng-chang Carter	N/A	4/5	3/3	2/2
Professor SO Wai Man Raymond	N/A	2/2	N/A	N/A
Professor WANG Yijiang*	N/A	N/A	N/A	N/A

resigned during 2015
△ resigned after 31 December 2015
* appointed after 31 December 2015

Nomination Committee

The Nomination Committee currently comprises 3 members, namely Professor WANG Yijiang, Dr. TSENG Shieng-chang Carter and Professor SO Wai Man Raymond. Professor WANG Yijiang is the chairman of the Nomination Committee. Mr. TANG Guliang was a member of the Nomination Committee until his resignation with effect from 1 February 2016. The Nomination Committee held 2 meetings during 2015.

The Nomination Committee is governed by its terms of reference, which are available on both the Company's website at http://multimedia.tcl.com and Hong Kong Stock Exchange's website at http://www.hkex.com.hk.

The main duties of the Nomination Committee include the followings:

- review and supervise the structure, size and composition of the Board;
- identify qualified individuals to become members of the Board;
- assess the independence of the independent non-executive directors;
- make recommendations to the Board on the appointment, re-appointment and succession planning of directors, and any proposed change to the Board to implement the Company's corporate strategy;
- review the board diversity policy ("Board Diversity Policy"); and
- review the sufficiency of time commitment of directors to perform their responsibilities.

The Nomination Committee has performed all these main duties in 2015. In addition, it discussed in details the change of the Board composition during the year, namely, the resignation of Mr. HAO Yi, Mr. SHI Wanwen and Ms. WU Shihong, and the appointment of Ms. XU Fang and Professor SO Wai Man Raymond as directors of the Company.

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

1. When there is a vacancy in the Board, the Nomination Committee evaluates the balance of skills, knowledge and experience of the Board, and identifies any special requirements for the vacancy (e.g. independence status in the case of an independent non-executive director).

2. Prepare a description of the role and capabilities required for the particular vacancy.

3. Identify a list of candidates through personal contacts or recommendations by Board members, senior management, business partners or investors.

4. Arrange interview(s) with each candidate for the Board to evaluate whether he/she meets the established written criteria for nomination of directors. One or more members of the Board will attend the interview.

5. Conduct verification on information provided by the candidate.

6. Make recommendations to the Board on the appointment or re-appointment of directors.

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

1. Common criteria for all directors:

   (a) character and integrity;

   (b) the willingness to assume broad fiduciary responsibility;

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

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

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

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

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

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

(i) fit with the Company's culture.

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

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

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

(c) outstanding professional and personal reputation; and

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

Board Diversity Policy

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

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

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

Remuneration Committee

The Remuneration Committee currently comprises 4 members, namely Dr. TSENG Shieng-chang Carter, Ms. XU Fang, Professor SO Wai Man Raymond and Professor WANG Yijiang. Dr. TSENG Shieng-chang Carter is the chairman of the Remuneration Committee. Ms. WU Shihong and Mr. TANG Guliang were the chairman and a member of the Remuneration Committee respectively until their respective resignation with effect from 12 August 2015 and 1 February 2016.

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

The Remuneration Committee was established on 16 April 2005 pursuant to Rule 3.25 of the Listing Rules. It meets from time to time to make recommendations to the Board on the Group's policy and structure for all remuneration of directors and senior management, and on the establishment of a formal and transparent procedure for developing policy on such remuneration. The Remuneration Committee also reviews and approves the performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time, and determines, with delegated responsibility, the remuneration packages of individual executive directors and senior management.

During 2015, the Remuneration Committee accomplished the following:

- review of the emolument policy and the levels of remuneration paid to the directors and senior management of the Group;

- determination of the remuneration packages of the individual directors, chief financial officer and certain senior management;

- discussion of the salary adjustments of certain senior management of the Group; and

- discussion and approval of the remuneration principle of the Group.

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

Emolument Policy and Long-Term Incentive Plan

To attract and retain talent with calibre, the Group provides competitive remuneration packages to its executive directors and senior management. These comprise base monthly salary, guaranteed cash benefits and allowances, special allowances, variable pay and long-term incentive plan which includes share option scheme and Award Scheme. The amount of variable pay is set at a percentage of the fixed pay, and is paid half-yearly or yearly relative to performance delivered through plans and objectives with pre-determined criteria and standards. Long-term incentive plan primarily consists of share options to subscribe for the shares of the Company and shares of the Company purchased by trustee under the Award Scheme. Please refer to the Company's announcements dated 6 February 2008 and 25 June 2015 and circulars dated 20 March 2008 and 27 July 2015 respectively for details of the Award Scheme. The remuneration payable to the directors are determined with reference to their duties and responsibilities with the Company and the market rate for the positions.

The remuneration package of executives is designed so that a proportion is structured to link rewards to corporate and individual performance, and gives incentives to executives to perform at the highest levels. Through job evaluation and job matching, the Group ensures the pay is internally equitable. Besides, the Group ensures external competitiveness of the pay through reference to market survey and data.

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

- directors' fee, which is usually paid annually; and

- share options or restricted shares which are awarded subject to the discretion of the Board.

The fees and any other reimbursement or emolument payable to the directors by band and senior management are set out in notes 8 and 9 to the financial statements.

Audit Committee

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

The Audit Committee currently comprises 4 members, namely Professor SO Wai Man Raymond, Mr. HUANG Xubin, Dr. TSENG Shieng-chang Carter and Professor WANG Yijiang. Professor SO Wai Man Raymond is the chairman of the Audit Committee. Mr. TANG Guliang and Ms. WU Shihong were the chairman and a member of the Audit Committee respectively until their respective resignation with effect from 1 February 2016 and 12 August 2015.

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

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

The Audit Committee meetings are normally attended by the Company's chief financial officer. When meetings concern routine finance control, the head of the internal audit department of the Company also attends the meeting to report on the problems identified during the internal control audits and recommendation of methods to alleviate and solve the problems identified. The external auditors are often present on discussion of the audit of financial results and audit planning.

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

- the completeness and accuracy of the 2014 annual and 2015 interim and quarterly financial statements;
- the Group's compliance with statutory and regulatory requirements;
- developments in accounting standards and the effect on the Group;
- review of the risk management and internal control systems of the Group and the overall effectiveness of the Company's internal audit function;
- the internal control reports submitted by the internal audit department of the Company;
- the management letter prepared by the external auditors;
- the audit fees payable to external auditors, the scope and timetable of the audit for year 2015;
- recommendations to the Board, for the approval by shareholders, for the reappointment of Messrs. Ernst & Young as the external auditors, which the Board agreed and accepted; and
- discussed on the intended reformation of internal financial system conducted or to be conducted by the Group.

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

Strategy Executive Committee

The Board established the Strategy Executive Committee on 23 October 2014 with specific written terms of reference. The Board has delegated responsibilities to the Strategy Executive Committee for making certain decisions for the management of the Group. The role and function of the Strategy Executive Committee has been better described in the former section "Delegation by the Board – Operation" under this corporate governance report.

Currently the Strategy Executive Committee comprises 3 executive directors, namely Mr. BO Lianming (Chairman), Mr. YAN Xiaolin and Ms. XU Fang. Mr. HAO Yi was a member of the Strategy Executive Committee until his resignation with effect from 18 September 2015.

The work completed by the Strategy Executive Committee during 2015 included consideration of the following matters:

- approval of any routine matters or matters concerning day-to-day operation of the Group;
- formulating for the Board's review the Group's overall corporate governance policy and investor relation policy;
- implementing the annual business plan, operating and capital expenditure budgets of the Company as approved by the Board; and
- implementing the strategic plans and long-term objectives as approved by the Board.

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

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

The statement by the auditor of the Company regarding its reporting responsibilities on the financial statements of the Group is set out in the "Independent Auditors' Report" on pages 93 to 94.

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 95 to 199 on a going concern basis. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The basis on which the Company generates or preserves value over the longer term and the strategy for delivering its objectives are explained in the “Management Discussion and Analysis” set out in pages 14 to 25 in this annual report.

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

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

Risk Management and Internal Control

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, 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 identification and monitoring of risks, the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company’s accounting and financial reporting function.

The Group has adopted a set of risk management and internal control policies and procedures to identify, evaluate and properly manage significant risks, 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. Such systems are designed to manage rather than eliminate the risk of failure to achieve its business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

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 Strategy Executive Committee of the Board.

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

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

For the year of 2015, no significant risk or critical internal control issues have been identified.

The Audit Committee has reviewed the effectiveness of the Group's internal control and risk management 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 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 are set out in the Directors' Report.

Auditors' Remuneration

For the year under review, the remuneration paid for services provided by the auditor is roughly as follows:

Statutory audit services	HK$9,750,000
Other audit services	HK$660,000
Non-audit services (which include taxation compliance and agreed-upon procedures)	HK$606,000

COMPANY SECRETARY

The position of company secretary is held by Ms. PANG, a practising solicitor of Hong Kong, who is not an employee of the Company. The company secretary can contact the Company through the financial controller of the Company, Mr. SIN Man Lung. The company secretary is responsible to the Board and reports to the Board Chairman from time to time. All directors have access to the advice and services of the company secretary to ensure that board procedures, and all applicable laws, rules and regulations are followed.

Ms. PANG is required to take no less than 15 hours of relevant professional training during the year 2015. She has fulfiled the requirement during the year under review.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Group is committed to maintaining high standards of corporate governance and ensuring high transparency by promptly disseminating information to the investment community and proactively communicating with investors.

Since April 2001, the Group has voluntarily commenced releasing monthly shipment data for its products. Other corporate information including interim and annual reports, announcements and press releases are disseminated after release through the Company's website on a timely basis. The Group also holds press and analyst conferences at least twice a year following the interim and annual results announcements with the Chairman of the Board and senior management present to answer questions from media and investors in order to maintain an effective two-way communication.

Frequent participation in large-scale conferences and presentations strengthens the Group's relationships with investors worldwide. In addition to regular meetings and conference calls, it also hosts non-deal road shows overseas to help analysts and investors keep abreast of the Group's latest developments. In 2015, the Group actively participated in global investor conferences and road shows in Hong Kong, Shenzhen, Xiamen, Shanghai, Nanjing, Beijing, Taiwan, Singapore and Malaysia to strengthen communication with overseas investors.

The Group regards annual reports as its important communication channel with investors and highly values the contents and production of its annual reports in an endeavor to enhance corporate transparency and provide accurate information to investors and stakeholders.

The Group has been honored with the "Silver Award" under the category of Cover Photo/Design: Global Consumer Products and a "Honors Award" under the category of Traditional Annual Report: Technologies/ Engineering for its 2014 annual report at The International Annual Report Competition (ARC) Awards. The competition is organized by MerComm, Inc. in the U.S., is one of the largest international competition honoring outstanding achievement in annual reports of various companies around the world and is regarded as "Oscar of Annual Report" by financial press.

Key Investor Relations Events in 2015:

Month	Event	Location
January	Participated in investor conference (organized by Credit Suisse)	Hong Kong
March	2014 annual results announcement (press conference and analyst briefing)	Hong Kong
	Hosted a non-deal road show (organized by JP Morgan)	Hong Kong
	Hosted a non-deal road show (organized by CICC)	Hong Kong
	Participated in investor conference (organized by Morgan Stanley)	Hong Kong
	Participated in investor conference (organized by Bank of America Merrill Lynch)	Taipei
April	Spring New Product Launch Event	Shenzhen
	2015 1st quarter results announcement (investor & media teleconferences)	Shenzhen
	2015 AGM	Hong Kong
May	Participated in investor conference (organized by CICC)	Nanjing
	Participated in investor conference (organized by Shenwan Hongyuan)	Xiamen
	Participated in investor conference (organized by Goldman Sachs)	Hong Kong
June	Participated in investor conference (organized by Morgan Stanley)	Beijing
	Participated in investor conference (organized by CICC)	Shenzhen
July	Participated in investor conference (organized by ICBCI)	Hong Kong
August	EGM	Hong Kong
	2015 interim results announcement (press conference and analyst briefing)	Hong Kong
	Hosted a non-deal road show (organized by CICC)	Hong Kong
	Hosted a non-deal road show (organized by UOB Kay Hien)	Hong Kong
	Hosted a non-deal road show (organized by CCBI)	Hong Kong
	Hosted a non-deal road show (organized by BNP)	Hong Kong
	Hosted a non-deal road show (organized by ICBCI)	Hong Kong
	Participated in investor conference (organized by Bank of America Merrill Lynch)	Hong Kong

Month	Event	Location
September	Hosted a Non-deal road show (organized by SWS)	Singapore and Kuala Lumpur
	Participated in investor conference (organized by Morgan Stanley)	Shenzhen
	Hosted a non-deal road show (organized by CICC)	Taipei
	Hosted a non-deal road show (organized by CICC)	Shenzhen
	EGM	Hong Kong
	Autumn New Product Launch Event	Shenzhen
October	2015 3rd quarter results announcement (investor & media teleconferences)	Shenzhen
	Participated in investor conference (organized by SWS)	Hong Kong
November	Hosted a non-deal road show (organized by CICC)	Shanghai
	Participated in investor conference (organized by JP Morgan)	Hong Kong
December	Participated in investor conference (organized by Barclays)	Hong Kong
	TCL and Leshi Zhixin strategic cooperation press conference	Shenzhen
	Tea gathering with media	Hong Kong
	Meeting with stock commentators	Hong Kong
	Hosted a non-deal road show (organized by BNP)	Hong Kong
	Hosted a non-deal road show (organized by CCBI)	Hong Kong
	Hosted a non-deal road show (organized by CICC)	Shanghai

All published information, including all the statutory announcements, press releases and event calendars, is promptly posted on the Company's website at http://multimedia.tcl.com. For inquiries and suggestions, please send an email to ir@tclhk.com or hk.ir@tcl.com or directly by raising questions at the shareholder meetings of the Company.

The general meetings of the Company provide the best opportunity for communication between the Board and the shareholders. The Company complied with the required notice periods for general meetings under the applicable laws, rules and regulations.

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

The external auditor of the Company, Messrs. Ernst & Young also attended the AGM held on 28 April 2015 to answer questions about the conduct of the audit, the preparation and content of the independent auditors' report, the accounting policies and auditor independence.

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 of the Company held. The chairman of the 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 Hong Kong Stock Exchange and the Company respectively on the same day after the general meetings were held.

Shareholders' Rights to Convene an EGM

Under Article 72 of the Articles, shareholders at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to require an EGM to be called by the Board for the transaction of any business specified in such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

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

A shareholders communication policy was formulated and adopted 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 Company's website at http://multimedia.tcl.com. Shareholders can also send enquiries and proposals putting forward for shareholders' consideration at shareholder meetings to the Board or senior management.

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

Constitutional Documents

In 2015, no amendment had been made to the memorandum and Articles.

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 Company's website at http://multimedia.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 via e-mail to ir@tclhk.com or hk.ir@tcl.com, or directly through the questions and answers session at shareholder meetings or press conference.

HUMAN RESOURCES

In 2015, the Group focused on the theme of "the year of Structure and Efficiency" and carried out a series of human resource management initiatives to provide direct and effective support for the Group's strategy, enhancement of organizational performance and employee development.

1. Basic Profile of Human Resources

As at 31 December 2015, the total number of employees was 24,800, approximately 5.9% of the employees were employed outside of Mainland China. The distribution is as follows:

Mainland China	23,342
North America	375
Europe	396
Others	687

2. Main Focus on Human Resources

In order to support the Company's development strategy, the Group endeavors to continuously optimize the talent structure, increase efficiency, and has adopted a series of measures for enhancing assessment and incentive, introducing talents and facilitating talent development:

– Based on the requirement of the 3043 strategies, the Group has carried out a comprehensive encouraging remuneration strategy. Through optimizing the long-term incentive system of the management, it further strengthened connection between the medium and high level management and the Company's overall performance and long-term development. Through designing the long-term incentive plan for medium and basic level of key management, it enhanced retention and motivation of outstanding talents. Meanwhile, it further promoted performance through performance-related bonus reform which strengthened results-oriented performance and made all-out-efforts to improve the results.

– Based on the "double +" strategy, the Group has gradually shifted from traditional thinking to Internet thinking for talent acquisition strategy which facilitated the strategic transformation and establishment of new business model. Meanwhile, in order to cater for the need of internationalized and Internet-oriented strategies, it expanded human resources introduction channels and implemented innovative approach to introduce talents based on business needs, enhanced establishment of the basic recruitment system and promoted the relevant capacity of the recruitment team. In 2015, the Group recruited a total of 279 employees, including talents of market management, human resource management and internet technology. Meanwhile, it recruited 89 mid-level research and development talents in order to strengthen the technological capacity of the research and development teams.

– The Group endeavors to form a motivated, responsible and reliable medium level management which was set as an entry point. Meanwhile, it focused on the objective to "increase organizational efficiency" by comprehensively carrying out talent checking, boosting talent mobility and vigorously promoting outstanding young talents. It also provided training for new-coming middle and low level management to support the new management force of the Group. In addition, in accordance with the Group's need for strategic talents, it further initiated projects for management trainees, promotion of product manager and concentrated training of overseas leading talents, etc. in order to meet the current need of business development while looking to the future.

In the past year, the Group has been committed to taking social responsibility, contributing to the society with our practical action, and taking an active part in educational support, school-enterprise cooperation and public charity activities.

FOCUS ON EDUCATION

–Hua Min Fund (華萌基金)

As an entrepreneur with a high sense of social responsibility, Mr. LI Dongsheng, the chairman of the Group, always holds the opinion that education is the foundation for building and strengthening our nation, and creating opportunities for young people means creating opportunities for ourselves and creating value for the society. "Hua Min Fund" was founded by Mr. LI and his spouse in 2007, which is a dedicated fund established under China Youth Development Foundation and is committed to supporting the development of Chinese education with an aim to ensure that junior high graduates with excellent character in poverty-stricken areas can successfully complete senior high school level studies and become university students.

Under Hua Min Fund, tuition and living subsidy of RMB8,000 is provided to each of 50 senior high school students in "Hua Min Class" every year, and "Hua Min Scholarship for College Learning" of RMB32,000 is awarded to each of the top ten students with the highest scores in the College Entrance Examination in "Hua Min Class" every year. Some innovative students aid programs including "Hua Min Star Classroom", "Hua Min Summer Camp" and "Hua Min Graduate Farewell Party" will also continue to help promote the overall quality of students and support their all-round growth.

–TCL Foundation

In June 2012, Shenzhen TCL Foundation, founded by Mr. LI Dongsheng, was officially registered. It is the first private foundation established by an enterprise in the industry of consumer electronics in the PRC. Shenzhen TCL Foundation is dedicated to the three public sector undertakings of assistance for fundamental education, catastrophe and rescue as well as caring for people with special needs by upholding the value of "Seeking Public Interest and Promoting Social Progress"and the three principles of "Creating Educational and Growth Opportunities for the Disadvantaged Groups, Seeking Community Welfare and Environmental Sustainable Development". In 2015, the foundation has donated a total amount of RMB37,171,070 with the total cumulative donation of RMB50,183,614 for "TCL Hope Project Candlelight Award" and various strategic public welfare and charity projects.

"TCL Hope Project Candlelight Award" was jointly founded by Shenzhen TCL Foundation and China Youth Development Foundation. It is a core project of Shenzhen TCL Foundation for "Assistance in the Fundamental Education". In 2015, "TCL Hope Project Candlelight Award" created better teaching and living conditions for 300 excellent rural teachers, helped them to enhance teaching skills, and provided them with learning and communicating opportunities, thus improving the current situation for the lack of good quality teachers in rural fundamental education.

CHARITY MUTUAL AID FUND FOR EMPLOYEES

In order to set up an internal charity mutual aid platform for caring for people and poverty alleviation by assisting the employees who live in poverty, and boosting team spirit of "Assistance for Those in Adversity and Poverty Alleviation, Helping for One and Other and Love Devotion", humanistic spirit and people-oriented enterprise culture, the Group has set up a dedicated Charity Mutual Aid Fund for Employees under the advocations and donations from persons including the independent non-executive director, Dr. TSENG Shieng-Chang Carter etc.. Established in August 2012, Charity Mutual Aid Fund for Employees is a self-managed organization formed by employees under the Company's Union Association. It is dedicated to helping employees or their families who suffer from a serious illness or encounter major disasters. Since its establishment, the fund has been rendering assistance to the employees who live with financial difficulties. It offered financial aid to three employees with a total amount of RMB130,000 in 2015.

In addition, the charity mutual aid fund has also fulfilled corporate social responsibility by offering financial aid to the sponsorship program of "Caring For Tomorrow" for students from poverty for four consecutive years, with the cumulative amount of RMB650,000. At the same time, volunteers were frequently assigned to participate in the sponsorship activities of "Caring For Tomorrow" in poverty-stricken mountain areas and old revolutionary base areas such as Guangxi Jingxi and Lingyun, etc.. The program will subsequently and continuously be carried out.

SCHOOL-ENTERPRISE COOPERATION

The Group has established a close and long-term strategic partnership with universities in the PRC and Hong Kong, etc. Aiming to provide a corporate technical and practical platform and to explore and cultivate talents for universities, the Group has set up "TCL Club", which is self-organized by college students. It provides a platform and opportunity for university talents on the basis of promoting the capabilities and career development of college students, and advocating the theme of "Growth, Happiness and Sharing". Through "TCL Club", the Group sponsored scientific and technological activities of college students, and launched creativity competition on campus, TCL Colour Run, career seminars and simulated interview competition on campus, boosting the growth of college talent.

In order to enable universities to gain more understanding of the enterprise and make good preparation for students' employment training, the Group launched "TCL OPEN DAY", inviting teachers from the employment office of universities to make an on-site investigation and gain an on-the-spot understanding of enterprises through site visits, seminars and communication with employed students. In addition, the Group continued to launch "Eagle Fostering Plan" training camp for undergraduate students, which offers practice and work opportunities including human resources, overseas sales, research and development and finance, etc., provides a platform for developing their professional capabilities, assist them in understanding the operation of enterprises, boosts career consciousness before employment, laying a solid foundation for employment and social services for them.

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 1 to the financial statements. There was no significant change in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2015 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 95 to 199.

The Board does not recommend the payment of any dividend in respect of the year (31 December 2014: proposed a final dividend of HK5.28 cents in cash per share).

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 200. This summary does not form part of the audited financial statements.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on 18 May 2016, Wednesday, for the purposes of determining the entitlements of the shareholders of the Company to attend and vote at the AGM. No transfer of the shares may be registered on that day. In order to qualify to attend and vote at the AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on 17 May 2016, Tuesday.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2015 is set out in the section headed "Management Discussion and Analysis" of this Annual Report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

SHARE CAPITAL, SHARE OPTIONS AND AWARD SCHEME

Details of movements in the Company's share capital (including issue of shares by the Company), share options and Award Scheme during the year, together with the reasons therefore are set out in note 32 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 ("Cayman Law") which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

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

DISTRIBUTABLE RESERVES

As at 31 December 2015, the Company had an aggregate of HK$2,710,269,000 standing to credit of its share premium account and HK$738,936,000 standing to the credit of its capital reserve account. As the aforesaid capital reserve represents a premium arising on an issue of shares of the Company, the entire amount of HK$738,936,000 standing to the credit of the capital reserve account of the Company will be transferred to the share premium account in compliance with the Articles and Cayman Law. Subject to compliance with certain requirements under Cayman Law, the share premium may be applied for payment of dividend by the Company. After transfer of the capital reserve as aforesaid, the amount which can be utilised for payment of dividend by the Company in future would be HK$3,449,205,000.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totaling HK$755,000.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases

– the largest supplier	17%
– the five largest suppliers combined	51%

Sales

– the largest customer	9%
– the five largest customers combined	28%

None of the directors of the Company, their associates or shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers, except those disclosed in note 37(a) to the financial statements.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:
Mr. LI Dongsheng
Mr. BO Lianming
Mr. HAO Yi (resigned as an executive director with effect from 18 September 2015)
Mr. YAN Xiaolin
Ms. XU Fang (appointed as an executive director with effect from 21 May 2015)

Non-executive directors:
Mr. Albert Thomas DA ROSA, Junior
Mr. HUANG Xubin
Mr. SHI Wanwen (resigned as a non-executive director with effect from 21 May 2015)

Independent non-executive directors:

Mr. TANG Guliang (resigned as an independent non-executive director with effect from 1 February 2016)
Mr. Robert Maarten WESTERHOF
Ms. WU Shihong (resigned as an independent non-executive director with effect from 12 August 2015)
Dr. TSENG Shieng-chang Carter
Professor SO Wai Man Raymond (appointed as an independent non-executive director with effect from 12 August 2015)
Professor WANG Yijiang (appointed as an independent non-executive director with effect from 1 February 2016)

In accordance with article 99 of the Articles and the corporate governance code adopted by the Company, Professor WANG Yijiang, being a newly appointed director of the Company during the year, will hold office until the next following general meeting of the Company (i.e. the forthcoming AGM) and shall then be eligible for re-election. The Board proposed Professor WANG Yijiang to be elected as an independent non-executive director of the Company at the forthcoming AGM.

In accordance with Article 116 of the Articles, at each AGM, not less than one-third of the directors for the time being shall retire from office by rotation and, under the corporate governance code adopted by the Company, every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every 3 years. All retiring directors shall be eligible for re-election.

Accordingly, Mr. LI Dongsheng, Mr. YAN Xiaolin, Mr. Albert Thomas DA ROSA, Junior and Dr. TSENG Shieng-chang Carter shall retire from office by rotation at the conclusion of the AGM. All of them, being eligible, will offer themselves for re-election at the AGM.

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

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

Particulars of the remuneration of the directors and the five highest paid employees (including senior management) during the financial year are set out in notes 8 and 9 to the financial statements, respectively.

EMOLUMENT POLICY AND LONG-TERM INCENTIVE SCHEMES

Please refer to the Corporate Governance Report contained on pages 40 to 69 of this annual report for the Group's emolument policy and long-term incentive schemes, as well as the basis for determining the remuneration payable to the directors.

PENSION SCHEMES

Particulars of the Group's pension schemes are set out in note 2.4 to the financial statements.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 26 to 38 of this annual report.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

None of the directors or their associates had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its subsidiaries, holding companies or fellow subsidiaries was a party during the year.

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 in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code were as follows:

(A) Interests in the Company – Long Positions

Name of Director	Number of ordinary shares held			Number of Underlying shares held under equity derivatives			Approximate percentage of issued share capital of the Company
	Personal interests	Family interests	Other interests (Note 1)	Personal interests	Family interests	Total	
LI Dongsheng	37,511,663	4,010,767	85,283	4,596,977	102,434	46,307,124	3.34%
BO Lianming	610,727	–	1,841,297	6,448,245	–	8,900,269	0.64%
YAN Xiaolin	712,720	–	52,273	1,314,863	–	2,079,856	0.15%
XU Fang	123,075	–	1,196,036	3,491,754	–	4,810,865	0.35%
Albert Thomas DA ROSA, Junior	63,333	–	–	294,410	–	357,743	0.03%
HUANG Xubin	1,083,555	–	54,661	699,275	–	1,837,491	0.13%
TANG Guliang	63,333	–	–	194,410	–	257,743	0.02%
Robert Maarten WESTERHOF	30,000	–	–	327,743	–	357,743	0.03%
SO Wai Man Raymond	–	–	–	242,702	–	242,702	0.02%

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

TCL Corporation (Note 2)

Name of Director	Number of ordinary shares held: Personal interests	Number of ordinary shares held: Family interests	Number of ordinary shares held: Other interests (Note 3)	Number of Underlying shares held under equity derivatives	Total	Approximate percentage of issued share capital of TCL Corporation
LI Dongsheng	638,273,688	–	408,899,521	–	1,047,173,209	8.56%
BO Lianming	4,058,801	–	–	–	4,058,801	0.03%
YAN Xiaolin	599,500	–	–	1,520,000	2,119,500	0.02%
HUANG Xubin	3,383,380	–	–	–	3,383,380	0.03%

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

TCL Communication (Note 4)

Name of Director	Number of ordinary shares held: Personal interests	Number of ordinary shares held: Family interests	Number of ordinary shares held: Other interests (Note 5)	Number of Underlying shares held under equity derivatives: Personal interests	Number of Underlying shares held under equity derivatives: Family interests	Total	Approximate percentage of issued share capital of TCL Communication
LI Dongsheng	47,144,850	3,787,200	212,995	3,067,217	64,283	54,276,545	4.28%
BO Lianming	65,700	–	–	70,000	–	135,700	0.01%
YAN Xiaolin	20,536	–	41,071	213,690	–	275,297	0.02%
XU Fang	13,655	–	27,310	1,583,511	–	1,624,476	0.13%
HUANG Xubin	21,474	–	42,948	1,166,081	–	1,230,503	0.10%

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

Tonly Holdings (Note 6)

Name of Director	Number of ordinary shares held Personal interests	Family interests	Number of underlying shares held under equity derivatives	Total	Approximate percentage of issued share capital of Tonly Holdings
LI Dongsheng	5,306,968	380,700	–	5,687,668	2.28%
BO Lianming	28,653	–	–	28,653	0.01%
XU Fang	7,768	–	–	7,768	0.003%
Albert Thomas DA ROSA, Junior	5,476	–	–	5,476	0.002%
HUANG Xubin	4,325	–	–	4,325	0.002%
TANG Guliang	5,476	–	–	5,476	0.002%
Robert Maarten WESTERHOF	2,142	–	–	2,142	0.0009%

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

CSOT (Note 7)

Name of Director	Registered capital (Note 8)	Approximate percentage of registered capital of CSOT
BO Lianming	RMB34,912,000	0.21%

Notes:

1. The shares are restricted shares that have been granted to the relevant directors and their associates under the Award Scheme of the Company and were not vested as at 31 December 2015.

2. TCL Corporation, a joint stock company established under the laws of the PRC, is the ultimate controlling shareholder of the Company.

3. The shares are held by Xinjiang Jiutian Liancheng Equity Investment Partnership Enterprise (Limited Partnership) ("Jiutian"). As at 31 December 2015, Mr. LI Dongsheng was a limited partner of Jiutian and held approximately 70.21% shares of Jiutian. Huizhou Dongxu Zhiyue Equity Investment Management Co., Ltd. ("Dongxu") was the general partner of Jiutian and held approximately 0.12% shares of Jiutian, and Mr. LI Dongsheng held approximately 51.00% shares of Dongxu.

4. TCL Communication is a subsidiary of TCL Corporation.

5. The shares are restricted shares that have been granted to the relevant directors under the award scheme of TCL Communication and were not vested as at 31 December 2015.

6. Tonly Electronics Holdings Limited ("Tonly Holdings") is a subsidiary of TCL Corporation.

7. CSOT is a subsidiary of TCL Corporation.

8. As at 31 December 2015, Mr. BO Lianming was deemed to be interested in CSOT since he owned Tibet Shannan Star Ripple Venture Capital Partnership (Limited Partnership) ("Star Ripple ") as to approximately 57.58% and Star Ripple in turn held approximately 0.21% of the registered capital of CSOT.

Save as disclosed above, as at 31 December 2015, none of the directors and chief executive and their associates had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS 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 the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in shares of the Company:

Shareholder	Capacity	Number of shares held	Percentage of issued share capital of the Company
TCL Corporation	Interest of controlled corporation	874,780,475 (Note 1)	63.10% (Note 2)
JIA Yueting	Interest of controlled corporation	348,850,000 (Note 4)	25.16% (Note 5)
Leshi Internet Information and Technology Corp., Beijing	Interest of controlled corporation	348,850,000 (Note 4)	25.16% (Note 5)
Leshi Zhixin	Beneficial owner	348,850,000 (Note 4)	25.16% (Note 5)

Notes:

1. TCL Corporation was deemed to be interested in 874,780,475 shares held by T.C.L. Industries, a direct wholly-owned subsidiary of TCL Corporation. The Company has been notified by TCL Corporation that the holding of T.C.L. Industries as at 31 December 2015 was 875,060,475 shares of the Company. However, the increase of such holding did not give rise to any disclosure obligation under the SFO.

2. Such percentage was calculated based on the number of 874,780,475 shares disclosed on the website of the Hong Kong Stock Exchange against the issued share capital of the Company as at 31 December 2015, being 1,386,361,214 shares in issue.

3. The following directors are directors/employees of TCL Corporation who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO:

(a) Mr. LI Dongsheng is the chairman and chief executive officer of TCL Corporation;

(b) Mr. BO Lianming is an executive director and president of TCL Corporation;

(c) Mr. YAN Xiaolin is a senior vice president and the chief technology officer, and the president of TCL Corporate Research of TCL Corporation;

(d) Ms. XU Fang is a vice president of TCL Corporation; and

(e) Mr. HUANG Xubin is an executive director and the chief financial officer of TCL Corporation.

4. A subscription agreement was entered into between the Company and Leshi Zhixin on 11 December 2015. According to the terms and subject to the conditions of the subscription agreement, Leshi Zhixin or its wholly-owned subsidiary established in Hong Kong designated by it agreed to conditionally subscribe and pay for 348,850,000 fully paid subscription shares at the subscription price of HK$6.50 per subscription share. The ordinary resolution in respect of the subscription agreement was approved at the EGM on 14 January 2016 and the subscription was not yet completed as at the date of these financial statements.

5. Such percentage was calculated based on the number of 348,850,000 shares disclosed on the website of the Hong Kong Stock Exchange against the issued share capital of the Company as at 31 December 2015, being 1,386,361,214 shares in issue.

Save as disclosed above, as at 31 December 2015, no person, other than the directors and chief executive of the Company whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above, had notified the Company of an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

During the financial year ended 31 December 2015, TCL Communication, a specified undertaking of the Company as defined under rule 2 of the Companies (Directors' Report) Regulation (Cap. 622D), has granted share options under its share option scheme to grantees who are directors of the Company and spouse of a director of the Company on 21 May 2015 and 3 November 2015 respectively. It has also granted awarded shares to grantees of are directors of the Company and spouse of a director of the Company on 21 May 2015 and 3 November 2015 under its share award scheme. Details are set out as follows:

Grant of Share Options on 21 May 2015

Name of director/spouse of director	**Number of shares to be subscribed under the share option**
Mr. LI Dongsheng	480,608
Ms. ICHIKAWA Yuki (spouse of Mr. LI Dongsheng)	51,937
Mr. YAN Xiaolin	115,933
Ms. XU Fang	77,088
Mr. HUANG Xubin	121,230
Mr. SHI Wanwen*	109,775

Grant of Share Options on 3 November 2015

Name of director/spouse of director	**Number of shares to be subscribed under the share option**
Mr. LI Dongsheng	199,241
Ms. ICHIKAWA Yuki (spouse of Mr. LI Dongsheng)	12,346
Mr. YAN Xiaolin	27,557
Ms. XU Fang	18,323
Mr. HUANG Xubin	28,816

Grant of Awarded Shares on 21 May 2015

Name of director/spouse of director	**Number of awarded shares**
Mr. LI Dongsheng	211,467
Ms. ICHIKAWA Yuki (spouse of Mr. LI Dongsheng)	22,852
Mr. YAN Xiaolin	51,011
Ms. XU Fang	33,919
Mr. HUANG Xubin	53,341
Mr. SHI Wanwen*	48,301

Grant of Awarded Shares on 3 November 2015

Name of director/spouse of director	Number of awarded shares
Mr. LI Dongsheng	80,425
Ms. ICHIKAWA Yuki (spouse of Mr. LI Dongsheng)	4,748
Mr. YAN Xiaolin	10,596
Ms. XU Fang	7,046
Mr. HUANG Xubin	11,081

During the financial year ended 31 December 2015, some directors of the Company, as subscribers, entered into a subscription agreement with the Company on 24 June 2015 for subscription of shares of the Company. The subscription agreement was terminated by a deed of termination on 11 July 2015 and was not proceeded with. Please refer to the Company's announcements dated 24 June 2015 and 11 July 2015 for details. Details of the subscription by the directors are as follows:

Name of director/spouse of director	Number of shares to be subscribed
Mr. LI Dongsheng	2,056,000
Mr. BO Lianming	1,850,000
Mr. HAO Yi*	1,028,000
Ms. XU Fang	1,234,000

* Mr. SHI Wanwen and Mr. HAO Yi resigned as directors of the Company with effect from 21 May 2015 and 18 September 2015, respectively.

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

SHARE OPTION SCHEMES

The directors have estimated the value of the share options granted, calculated using the binomial option pricing model as at the date of grant of the options. The values of share options calculated using the binomial model are subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of assumptions of the expected future performance input to the model, and certain inherent limitations of the model itself.

The value of an option varies with different variables of certain subjective assumptions. Any change to the variables used may materially affect the estimation of the fair value of an option.

The following share options were outstanding under the share option schemes of the Company during the year:

Name or category of participant	Number of share options: At 1 January 2015	Reclass-ification	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2015	Date of grant of share options	Exercise price of share options HK$	Exercise period of share options	Price of Company's shares: At grant date HK$	At exercise date HK$
Directors											
Executive directors											
LI Dongsheng	1,325,733	–	–	–	–	1,325,733	5-Jul-11	3.17	Note 2	3.17	N/A
	–	–	3,000,634	–	–	3,000,634	9-Mar-15	4.60	Note 3	4.60	N/A
	–	–	270,610	–	–	270,610	31-Aug-15	3.48	Note 4	3.48	N/A
	1,325,733	–	3,271,244	–	–	4,596,977					
BO Lianming	446,977	–	–	–	–	446,977	5-Jul-11	3.17	Note 2	3.17	N/A
	–	–	6,001,268	–	–	6,001,268	9-Mar-15	4.60	Note 3	4.60	N/A
	446,977	–	6,001,268	–	–	6,448,245					
HAO Yi*	618,667	(618,667)	–	–	–	–	5-Jul-11	3.17	Note 2	3.17	N/A
	–	(3,674,670)	3,674,670	–	–	–	9-Mar-15	4.60	Note 3	4.60	N/A
	618,667	(4,293,337)	3,674,670	–	–	–					
YAN Xiaolin	106,300	–	–	–	–	106,300	5-Jul-11	3.17	Note 2	3.17	N/A
	–	–	979,912	–	–	979,912	9-Mar-15	4.60	Note 3	4.60	N/A
	–	–	228,651	–	–	228,651	31-Aug-15	3.48	Note 4	3.48	N/A
	106,300	–	1,208,563	–	–	1,314,863					
XU Fang**	–	183,000	–	(183,000)	–	–	8-Nov-10	3.60	Note 1	3.60	3.96
	–	423,067	–	–	–	423,067	5-Jul-11	3.17	Note 2	3.17	N/A
	–	–	841,091	–	–	841,091	9-Mar-15	4.60	Note 3	4.60	N/A
	–	–	2,227,596	–	–	2,227,596	31-Aug-15	3.48	Note 4	3.48	N/A
	–	606,067	3,068,687	(183,000)	–	3,491,754					
	2,497,677	**(3,687,270)**	**17,224,432**	**(183,000)**	**–**	**15,851,839**					
Non-Executive directors											
Albert Thomas DA ROSA, Junior	100,000	–	–	–	–	100,000	5-Jul-11	3.17	Note 2	3.17	N/A
	–	–	194,410	–	–	194,410	9-Mar-15	4.60	Note 3	4.60	N/A
	100,000	–	194,410	–	–	294,410					
HUANG Xubin	265,767	–	–	–	–	265,767	5-Jul-11	3.17	Note 2	3.17	N/A
	–	–	194,410	–	–	194,410	9-Mar-15	4.60	Note 3	4.60	N/A
	–	–	239,098	–	–	239,098	31-Aug-15	3.48	Note 4	3.48	N/A
	265,767	–	433,508	–	–	699,275					
SHI Wanwen***	53,167	(53,167)	–	–	–	–	5-Jul-11	3.17	Note 2	3.17	N/A
	–	(194,410)	194,410	–	–	–	9-Mar-15	4.60	Note 3	4.60	N/A
	53,167	(247,577)	194,410	–	–	–					

Name or category of participant	Number of share options: At 1 January 2015	Reclass-ification	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2015	Date of grant of share options	Exercise price of share options HK$	Exercise period of share options	Price of Company's shares: At grant date HK$	At exercise date HK$
TANG Guliang	100,000	–	–	(100,000)	–	–	5-Jul-11	3.17	Note 2	3.17	5.94
	–	–	194,410	–	–	194,410	9-Mar-15	4.60	Note 3	4.60	N/A
	100,000	–	194,410	(100,000)	–	194,410					
Robert Maarten WESTERHOF	133,333	–	–	–	–	133,333	5-Jul-11	3.17	Note 2	3.17	N/A
	–	–	194,410	–	–	194,410	9-Mar-15	4.60	Note 3	4.60	N/A
	133,333	–	194,410	–	–	327,743					
WU Shihong****	100,000	(100,000)	–	–	–	–	5-Jul-11	3.17	Note 2	3.17	N/A
	–	(194,410)	194,410	–	–	–	9-Mar-15	4.60	Note 3	4.60	N/A
	100,000	(294,410)	194,410	–	–	–					
SO Wai Man Raymond*****	–	–	242,702	–	–	242,702	31-Aug-15	3.48	Note 4	3.48	N/A
	–	–	242,702	–	–	242,702					
	752,267	**(541,987)**	**1,648,260**	**(100,000)**	**–**	**1,758,540**					
Other employees and those who have contributed or may contribute to the Group	2,128,800	(183,000)	–	(1,827,800)	(118,000)	–	8-Nov-10	3.60	Note 1	3.60	4.98
	9,640,967	348,767	–	(6,978,466)	(667)	3,010,601	5-Jul-11	3.17	Note 2	3.17	5.59
	–	4,063,490	33,596,113	–	(6,318,523)	31,341,080	9-Mar-15	4.60	Note 3	4.60	N/A
	–	–	126,752,505	–	(2,816,604)	123,935,901	31-Aug-15	3.48	Note 4	3.48	N/A
	11,769,767	**4,229,257**	**160,348,618**	**(8,806,266)**	**(9,253,794)**	**158,287,582**					
	15,019,711	**–**	**179,221,310**	**(9,089,266)**	**(9,253,794)**	**175,897,961**					

* Mr. HAO Yi resigned as an executive director of the Company with effect from 18 September 2015.

** Ms. XU Fang was appointed as an executive director of the Company with effect from 21 May 2015.

*** Mr. SHI Wanwen resigned as a non-executive director of the Company with effect from 21 May 2015.

**** Ms. WU Shihong resigned as an independent non-executive director of the Company with effect from 12 August 2015.

***** Professor SO Wai Man Raymond was appointed as an independent non-executive director of the Company with effect from 12 August 2015.

Note 1: 50% of such share options are exercisable after the expiry of 6 months from the date of grant, and the remaining 50% is exercisable after the expiry of 18 months from the date of grant, up to 7 November 2015.

Note 2: One-ninth of such share options are exercisable after the expiry of 18 months from the date of grant, a further three-ninth is exercisable after the expiry of 30 months from the date of grant, and the remaining five-ninths is exercisable after the expiry of 42 months from the date of grant, up to 4 July 2017.

Note 3: One-third of such share options are exercisable commencing from 9 January 2017, a further one-third are exercisable commencing from 9 January 2018, and the remaining one-third are exercisable commencing from 9 January 2019, up to 8 March 2021.

Note 4: For share options granted to the employees of the Group, approximately one-third of such share options are exercisable commencing from 9 January 2017, a further approximately one-third are exercisable commencing from 9 January 2018, and the remaining approximately one-third are exercisable commencing from 9 January 2019, up to 30 August 2021.

For share options granted to the employees of TCL Corporation on its behalf, approximately one-third of such share options are exercisable commencing from 31 December 2015, a further approximately one-third are exercisable commencing from 31 December 2016, and the remaining approximately one-third are exercisable commencing from 31 December 2017, up to 30 August 2021.

AWARD SCHEME

The Board on 6 February 2008 resolved to adopt the Award Scheme which was amended on 11 August 2015. Pursuant to the Award Scheme, existing shares would be purchased by the Trustee from the market or new shares would be subscribed for by the Trustee out of cash contributed by the Company, and would be held on trust for the relevant grantees until such shares are vested with the relevant grantees in accordance with the provisions of the Award Scheme.

CONNECTED TRANSACTIONS

During the year, the Group entered into a number of connected transactions and continuing connected transactions with its connected persons including TCL Corporation (being the ultimate controlling shareholder of the Company) and its subsidiaries (excluding the Group) (being associate(s) (as defined in the Listing Rules) of TCL Corporation) (collectively, the "TCL Group") and an associate of TCL Corporation.

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:

On 24 June 2015, the Company entered into a subscription agreement with the subscribers (some of whom are connected persons of the Company), pursuant to which, the subscribers conditionally agreed to subscribe for and the Company conditionally agreed to issue 22,894,000 subscription shares at the subscription price of HK$4.86 per subscription share for an aggregate amount of approximately HK$111,265,000. On 11 July 2015, the Company has entered into a deed of termination with the subscribers to terminate the subscription agreement in all respect with effect from 11 July 2015.

On 25 June 2015, the Board resolved to conditionally make new shares grant on terms of the amended Award Scheme. This involves granting awards for a total of 43,673,434 restricted shares being new shares to 146 grantees of new shares grant, who are all employees of the Group. Out of the 146 grantees of new shares grant, 28 are connected persons of the Company who are conditionally granted a total of 17,940,918 restricted shares being new shares.

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) Pursuant to the Master TCL Trademark License (2014 Renewal) Agreement dated 11 November 2014 entered into between the Company and TCL Corporation, TCL Group has agreed to grant to the Group an exclusive (subject to certain limited exceptions which are related to existing obligation or businesses of TCL Corporation), non-sub-licensable and non-transferable license to use certain of its registered trademarks including "TCL" for the manufacture, production, sale and distribution of electronic products including televisions, audio-visual products and commercial use display products. During the year, no payment has been made by the Group to TCL Group as royalties and HK$431,952,000 was paid by the Group to TCL Group as reimbursement of branding advertising costs.

(b) Pursuant to the Master Electronic and Electrical Goods Sourcing (2014 Renewal) Agreement dated 11 November 2014 entered into between the Company and TCL Corporation in connection with the purchase of electronic or electrical products from TCL Group, the Group purchased finished goods from TCL Group amounting to HK$3,048,000 during the year.

(c) Pursuant to the Master Sourcing (2014 Renewal) Agreement dated 11 November 2014 entered into between the Company and TCL Corporation, the Group (i) sold overseas materials to TCL Group amounting to HK$835,594,000; (ii) purchased overseas materials from TCL Group amounting to HK$824,518,000 during the year.

(d) Pursuant to the Master Supply (2014 Renewal) Agreement dated 11 November 2014 entered into between the Company and TCL Corporation, the Group (i) purchased goods produced or manufactured in the PRC from TCL Group amounting to HK$6,910,894,000; (ii) sold goods to TCL Group amounting to HK$3,182,116,000 during the year.

(e) Pursuant to the Master Financial Services (2014 Renewal) Agreement dated 11 November 2014 entered into among the Company, TCL Corporation and the Finance Company, a non-wholly owned subsidiary of TCL Corporation, the Group paid fees and commissions for the other financial services thereunder amounting to HK$22,563,000 during the year. The maximum outstanding balance of deposits placed by the Group with the Finance Company amounting to HK$3,087,159,000, the maximum outstanding balance of deposits (cash or bank instruments) as security placed by the Group with the Finance Company amounting to HK$260,958,000 and the maximum facility provided to the Group by the Finance Company with bank instruments as security amounting to HK$249,911,000 during the year.

    The interest rates offered by the Finance Company were not lower than the interest rates offered by other independent financial institution during the year.

Pursuant to the Master Financial Services (2014 Renewal) Agreement, if a qualified member of the Group demands repayment of any money deposited by it with the Finance Company in accordance with the relevant terms and procedure and the Finance Company fails to follow the repayment demand, such member shall then have the right to:

(a) offset the relevant outstanding deposit amount against up to the same amount of any outstanding loans owed by it and/or any financing provided to it by the Finance Company and/or TCL Corporation; and/or

(b) transfer the right mentioned in (a) above to other qualified members of the Group;and/or

(c) request TCL Corporation to repay immediately the outstanding deposit amount on behalf of the Finance Company in full.

There was no collateral provided by the Finance Company for the deposit placed by the Group during the year.

(f) Pursuant to the Master Logistics Service Supply (2014 Renewal) Agreement dated 11 November 2014 entered into between the Company and Shenzhen Speed Distribution Platform Company Limited ("Speed Distribution"), a non wholly-owned subsidiary of TCL Corporation, the Group may from time to time request Speed Distribution for provision of certain logistics services. The Group paid HK$264,645,000 to Speed Distribution for all the cost and expenses incurred by Speed Distribution for provision of the logistics services during the year.

(g) Pursuant to the Master Subcontracting (2014 Renewal) Agreement dated 11 November 2014 entered into between the Company and TCL Corporation, the Group (i) paid subcontracting fees to TCL Group amounting to HK$1,265,000; (ii) received subcontracting fees from TCL Group amounting to HK$515,000 during the year.

(h) Pursuant to the Master Lease and Vehicle (Lessor) (2014 Renewal) Agreement dated 11 November 2014 entered into between the Company as lessor and TCL Corporation as lessee, the Group received rental income from TCL Group amounting to HK$12,306,000 during the year.

(i) Pursuant to the Master Lease (Tenant) (2014 Renewal) Agreement dated 11 November 2014 entered into between the Company as tenant and TCL Corporation as landlord, the Group paid rental cost to TCL Group amounting to HK$2,399,000 during the year.

(j) Pursuant to the Master Service (2014 Renewal) Agreement dated 11 November 2014 entered into between the Company and TCL Corporation, content income amounting HK$2,914,000 was shared by the Group in respect of the provision of value added services to end users; and HK$44,920,000 was paid by the Group to TCL Group as service fees in respect of the provision of certain basic services during the year.

(k) Pursuant to the Master After Sale Service (2014 Renewal) Agreement dated 11 November 2014 entered into between the Company and TCL Corporation, the Group received service fees from TCL Group in connection with the provision of after sale service to TCL Group for commercial use display products sold by TCL Group in the PRC amounting to HK$28,952,000 during the year.

(l) Pursuant to the Strategic Cooperation (2014) Framework Agreement dated 24 February 2014 entered into between the Company and TCL Corporation, the Group (i) paid service fee to TCL Group for the Joint Laboratory Project provided by TCL Group amounting to HK$19,752,000; (ii) paid service fee to TCL Group for the Strategic Mutual Research and Mid-to-Long-Term Planning Project provided by TCL Group amounting to HK$50,311,000 during the year.

(m) Pursuant to the Master After Sale Service (TV Products) Agreement dated 19 May 2014 entered into between the Company and TCL Corporation, the Group paid service fees to TCL Group in connection with the provision of after sale service by TCL Group for television sets products and their accessories and ancillary products manufactured by the Group amounting to HK$246,095,000 during the year.

(n) Pursuant to the Master Payment Services Agreement (1070) dated 2 March 2015 entered into among the Company, Shenzhen Qianhai Commerce Payment Technology Co., Ltd. and Shenzhen CUP E_ Commerce Co.,Ltd ("Service Providers", non wholly-owned subsidiaries of TCL Communication), the Group paid service fee to the Service Providers in connection with the provision of payment services involving payment by consumers through the point of sale terminal system, online payment system, mobile payment system and/or digital television payment system provided by the Service Providers amounting to HK$68,000 during the year.

(o) Pursuant to the Master Internet TV Cooperation Agreement dated 12 August 2015 entered into between the Company and GoLive TV Technology (Beijing) Co., Ltd, ("GoLive"), a non wholly-owned subsidiary of TCL Corporation, the Group received service fees from GoLive in connection with the provision of internet TV services to the end customers of GoLive amounting to HK$2,210,000 during the year.

(p) Pursuant to the Master Qianhai Sailing Cooperation Agreement dated 12 August 2015 entered into between the Company and Qianhai Sailing, an associate of TCL Corporation, the Group purchased goods required for the manufacturing or production of the products of the Group from Qianhai Sailing and its subsidiaries amounting to HK$342,229,000 during the year.

The directors of the Company confirm that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

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

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

CORPORATE GOVERNANCE

Details of the Group's corporate governance practices can be found in the Corporate Governance Report contained on pages 40 to 69 in this annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted a code of conduct regarding directors' securities transactions on the same terms as set out in the Model Code. Having made specific enquiry of all directors, there were no non-compliance with the 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.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDIT COMMITTEE

The Company has an Audit Committee for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls.

AUDITORS

Messrs. Ernst & Young will retire and, being eligible, will offer themselves for reappointment as auditors of the Company at the forthcoming AGM.

EQUITY-LINKED AGREEMENTS

Other than the share option scheme and the Award Scheme as disclosed above and in note 32 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.

PERMITTED INDEMNITY PROVISION

The Articles provides that the directors shall be indemnified and secured harmless out of the assets of the Company from and against all losses or liabilities which they incur or sustain as a director of the Company in defending any proceedings, whether civil or criminal, in which judgement is given in his favour, or in which he is acquitted.

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

ON BEHALF OF THE BOARD

LI Dongsheng
Chairman

Hong Kong
23 March 2016

EY 安永

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

We have audited the consolidated financial statements of TCL Multimedia Technology Holdings Limited (the "Company") and its subsidiaries set out on pages 95 to 199, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other 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.

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 and Other Comprehensive Income

Year ended 31 December 2015

	Notes	**2015 HK$'000**	2014 HK$'000
TURNOVER	5	**34,016,833**	33,526,265
Cost of sales		**(28,263,811)**	(28,023,227)
Gross profit		**5,753,022**	5,503,038
Other revenue and gains		**545,845**	682,301
Selling and distribution expenses		**(4,032,140)**	(4,107,151)
Administrative expenses		**(1,360,303)**	(973,753)
Research and development costs		**(551,627)**	(423,087)
Other operating expenses		**(70,132)**	(59,992)
		284,665	621,356
Finance costs	6	**(185,692)**	(196,000)
Share of profits and losses of:			
Joint ventures		**(44,336)**	(22,977)
Associates		**(17,458)**	(8,920)
PROFIT BEFORE TAX	7	**37,179**	393,459
Income tax	10	**(27,039)**	(147,126)
PROFIT FOR THE YEAR		**10,140**	246,333
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Cash flow hedge:			
Effective portion of changes in fair value of the hedging instruments arising during the year		**5,299**	(185)
Reclassification adjustments for losses included in the consolidated statement of profit or loss		**185**	21
		5,484	(164)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Exchange fluctuation reserve:			
Translation of foreign operations		(294,622)	(3,535)
Release upon disposal and liquidation of subsidiaries		(2,376)	(158,931)
Release upon derecognition and deemed partial disposal of associates		3	339
		(296,995)	(162,127)
OTHER COMPREHENSIVE LOSS FOR THE YEAR		(291,511)	(162,291)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		(281,371)	84,042
Profit/(loss) attributable to:			
Owners of the parent		25,811	234,499
Non-controlling interests		(15,671)	11,834
		10,140	246,333
Total comprehensive income/(loss) attributable to:			
Owners of the parent		(258,354)	72,844
Non-controlling interests		(23,017)	11,198
		(281,371)	84,042
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic		HK1.94 cents	HK17.76 cents
Diluted		HK1.90 cents	HK17.75 cents

Consolidated Statement of Financial Position

31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	2,062,753	2,356,369
Prepaid land lease payments	14	131,849	153,930
Goodwill	15	134,933	134,933
Other intangible assets	16	1,428	1,947
Investments in joint ventures	17	46,118	55,600
Investments in associates	18	470,696	509,054
Available-for-sale investments	19	106,891	111,982
Deferred tax assets	31	25,840	38,090
Total non-current assets		2,980,508	3,361,905
CURRENT ASSETS			
Inventories	20	3,282,921	4,054,817
Trade receivables	21	5,537,759	4,318,138
Bills receivable		2,721,173	4,204,018
Other receivables	22	1,351,429	1,943,664
Tax recoverable		8,593	17,107
Pledged deposits	24	80,881	203,298
Cash and bank balances	24	2,214,927	3,379,369
Total current assets		15,197,683	18,120,411
CURRENT LIABILITIES			
Trade payables	25	5,540,820	4,920,901
Bills payable	26	1,656,855	3,543,573
Other payables and accruals	27	3,503,917	3,805,030
Interest-bearing bank and other borrowings	28	1,460,437	2,250,564
Due to T.C.L. Industries	23	7,751	853,336
Tax payable		129,471	180,491
Provisions	30	305,381	362,484
Total current liabilities		12,604,632	15,916,379
NET CURRENT ASSETS		2,593,051	2,204,032
TOTAL ASSETS LESS CURRENT LIABILITIES		5,573,559	5,565,937

Consolidated Statement of Financial Position

31 December 2015

	Notes	**2015 HK$'000**	2014 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,573,559**	5,565,937
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	28	**5,071**	925,033
Due to T.C.L. Industries	23	**1,131,617**	–
Deferred tax liabilities	31	**28,141**	34,726
Total non-current liabilities		**1,164,829**	959,759
Net assets		**4,408,730**	4,606,178
EQUITY			
Equity attributable to owners of the parent			
Issued capital	32	**1,386,361**	1,333,599
Reserves	33	**2,910,225**	3,135,530
		4,296,586	4,469,129
Non-controlling interests		**112,144**	137,049
Total equity		**4,408,730**	4,606,178

LI Dongsheng
Director

BO Lianming
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2015

	Attributable to owners of the parent												
	Issued capital HK$'000 (Note 32)	Share premium account HK$'000 (Note 32)	Share option reserve HK$'000 (Note 33(i))	Capital reserve HK$'000 (Note 33(ii))	Reserve funds HK$'000 (Note 33(iii))	Hedging reserve HK$'000 (Note 33(v))	Exchange fluctuation reserve HK$'000	Shares held for the Award Scheme HK$'000 (Note 32)	Awarded share reserve HK$'000 (Note 33(iv))	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2014	1,333,599	2,745,480	46,147	57,332	936,927	(21)	548,175	(90,619)	365	(1,219,099)	4,358,286	124,095	4,482,381
Profit for the year	-	-	-	-	-	-	-	-	-	234,499	234,499	11,834	246,333
Other comprehensive income/(loss) for the year:													
Cash flow hedge	-	-	-	-	-	(164)	-	-	-	-	(164)	-	(164)
Exchange differences on:													
Translation of foreign operations	-	-	-	-	-	-	(2,899)	-	-	-	(2,899)	(636)	(3,535)
Release upon liquidation of subsidiaries	-	-	-	-	-	-	(158,931)	-	-	-	(158,931)	-	(158,931)
Release upon derecognition and deemed partial disposal of associates	-	-	-	-	-	-	339	-	-	-	339	-	339
Total comprehensive income/(loss) for the year	-	-	-	-	-	(164)	(161,491)	-	-	234,499	72,844	11,198	84,042
Release upon liquidation of subsidiaries	-	-	-	-	(145,381)	-	-	-	-	145,381	-	-	-
Capital injection from non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	23,981	23,981
Business combinations, net (note 34(a))	-	-	-	-	-	-	-	-	-	-	-	(20,131)	(20,131)
Equity-settled share option arrangements	-	-	301	-	-	-	-	-	-	-	301	-	301
Share options forfeited during the year	-	-	(22,618)	-	-	-	-	-	-	-	(22,618)	-	(22,618)
Purchase of shares for the Award Scheme	-	-	-	-	-	-	-	(19,515)	-	-	(19,515)	-	(19,515)
Vesting of shares under the Award Scheme	-	-	-	-	-	-	-	57,962	21,869	-	79,831	-	79,831
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(2,094)	(2,094)
Transfer from retained profits	-	-	-	-	41,943	-	-	-	-	(41,943)	-	-	-
At 31 December 2014	1,333,599	2,745,480*	23,830*	57,332*	833,489*	(185)*	386,684*	(52,172)*	22,234*	(881,162)*	4,469,129	137,049	4,606,178

Consolidated Statement of Changes in Equity

Year ended 31 December 2015

	Attributable to owners of the parent												
	Issued capital HK$'000 (Note 32)	Share premium account HK$'000 (Note 32)	Share option reserve HK$'000 (Note 33 (i))	Capital reserve HK$'000 (Note 33(ii))	Reserve funds HK$'000 (Note 33 (iii))	Hedging reserve HK$'000 (Note 33 (v))	Exchange fluctuation reserve HK$'000	Shares held for the Award Scheme HK$'000 (Note 32)	Awarded share reserve HK$'000 (Note 33 (iv))	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2015	1,333,599	2,745,480	23,830	57,332	833,489	(185)	386,684	(52,172)	22,234	(881,162)	4,469,129	137,049	4,606,178
Profit/(loss) for the year	-	-	-	-	-	-	-	-	-	25,811	25,811	(15,671)	10,140
Other comprehensive income/(loss) for the year:													
Cash flow hedge	-	-	-	-	-	5,484	-	-	-	-	5,484	-	5,484
Exchange differences on:													
Translation of foreign operations	-	-	-	-	-	-	(287,276)	-	-	-	(287,276)	(7,346)	(294,622)
Release upon disposal and liquidation of subsidiaries	-	-	-	-	-	-	(2,376)	-	-	-	(2,376)	-	(2,376)
Release upon deemed partial disposal of an associate	-	-	-	-	-	-	3	-	-	-	3	-	3
Total comprehensive income/(loss) for the year	-	-	-	-	-	5,484	(289,649)	-	-	25,811	(258,354)	(23,017)	(281,371)
Acquisition of non-controlling interests	-	-	-	430	-	-	-	-	-	-	430	(1,888)	(1,458)
Equity-settled share option arrangements	-	-	56,818	-	-	-	-	-	-	-	56,818	-	56,818
Share options forfeited during the year	-	-	(170)	-	-	-	-	-	-	170	-	-	-
Issue of shares upon exercise of share options	9,089	34,897	(14,308)	-	-	-	-	-	-	-	29,678	-	29,678
Employee share-based compensation benefits under the Award Scheme	-	-	-	-	-	-	-	-	45,847	-	45,847	-	45,847
Vesting of shares under the Award Scheme	-	-	-	-	-	-	-	18,441	4,705	-	23,146	-	23,146
Shares allotted for the Award Scheme	43,673	-	-	-	-	-	-	(43,673)	-	-	-	-	-
Final 2014 dividend paid	-	(70,108)	-	-	-	-	-	-	-	-	(70,108)	-	(70,108)
Transfer from retained profits	-	-	-	-	51,788	-	-	-	-	(51,788)	-	-	-
At 31 December 2015	1,386,361	2,710,269*	66,170*	57,762*	885,277*	5,299*	97,035*	(77,404)*	72,786*	(906,969)*	4,296,586	112,144	4,408,730

* These reserve accounts comprise the consolidated reserves of HK$2,910,225,000 (2014: HK$3,135,530,000) 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		**37,179**	393,459
Adjustments for:			
Finance costs	6	**185,692**	196,000
Share of profits and losses of joint ventures and associates		**61,794**	31,897
Loss/(gain) on disposal of items of property, plant and equipment, net	7	**2,336**	(9,168)
Gain on disposal of subsidiaries	7	**(123,159)**	–
Gain on liquidation of subsidiaries	7	**(1,140)**	(158,931)
Interest income	7	**(49,024)**	(66,361)
Fair value gain of an investment in an associate	7	**–**	(35,688)
Fair value losses/(gains) on derivative financial instruments, net – transactions not qualifying as hedges	7	**2,404**	(742)
Depreciation	7	**250,878**	289,019
Impairment of items of property, plant and equipment	7	**1**	63
Amortisation of other intangible assets	7	**373**	312
Amortisation of prepaid land lease payments	7	**4,168**	4,715
Gain on bargain purchase	7	**–**	(1,319)
Impairment of goodwill	7	**–**	35,688
Equity-settled share option expense	7	**53,788**	301
Employee share-based compensation benefits under the Award Scheme	7	**42,480**	–
		467,770	679,245
Decrease in inventories		**546,538**	1,041,023
Increase in trade receivables		**(1,348,988)**	(371,761)
Decrease in bills receivable		**1,256,037**	939,128
Decrease in other receivables		**494,768**	125,267
Increase/(decrease) in trade payables		**987,691**	(755,918)
Decrease in bills payable		**(1,683,301)**	(1,548,724)
Decrease in other payables and accruals		**(118,239)**	(468,386)
Decrease in provisions		**(47,106)**	(72,182)
Cash generated from/(used in) operations		**555,170**	(432,308)
Interest paid		**(184,818)**	(196,000)
Interest element of finance lease rental payments		**(874)**	–
Income taxes paid		**(57,410)**	(111,718)
Net cash flows from/(used in) operating activities		**312,068**	(740,026)

Consolidated Statement of Cash Flows

Year ended 31 December 2015

	Notes	**2015** **HK$'000**	2014 HK$'000
Net cash flows from/(used in) operating activities		**312,068**	(740,026)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**49,024**	66,361
Dividend received from an associate		**15,294**	15,397
Purchases of items of property, plant and equipment		**(142,373)**	(316,892)
Purchase of an available-for-sale investment		**–**	(105,305)
Prepayment of land lease payments		**–**	(2,492)
Proceeds from disposal of items of property, plant and equipment		**17,402**	173,882
Capital contribution in joint ventures		**(38,501)**	(69,763)
Business combinations, net	34(a)	**–**	(90,513)
Disposal of subsidiaries	34(b)	**191,532**	–
Decrease/(increase) in pledged deposits		**110,535**	(203,298)
Net cash flows from/(used in) investing activities		**202,913**	(532,623)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares upon exercise of share options		**29,678**	–
Purchase of shares for the Award Scheme		**–**	(19,515)
New bank and other loans		**13,161,009**	6,961,766
Repayment of bank and other loans		**(14,925,058)**	(5,790,902)
Capital element of finance lease rental payments		**(1,519)**	–
Decrease in loans from TCL Corporation		**–**	(24,741)
Increase in loans from T.C.L. Industries		**286,206**	465,162
Acquisition of non-controlling interests		**(1,457)**	–
Capital contribution from a non-controlling shareholder		**–**	22,661
Dividends paid		**(70,108)**	–
Dividends paid to non-controlling shareholders		**–**	(2,094)
Net cash flows from/(used in) financing activities		**(1,521,249)**	1,612,337
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(1,006,268)**	339,688
Cash and cash equivalents at beginning of year		**3,379,369**	3,047,524
Effect of foreign exchange rate changes, net		**(158,174)**	(7,843)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**2,214,927**	3,379,369
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**2,214,927**	3,379,369

1. CORPORATE AND GROUP INFORMATION

TCL Multimedia Technology Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands. The registered address of the Company is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The principal place of business of the Company is located at 13/F, TCL Tower, 8 Tai Chung Road, Tsuen Wan, New Territories, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were involved in the manufacture and sale of colour television sets.

In the opinion of the directors, T.C.L. Industries Holdings (H.K.) Limited ("T.C.L. Industries"), a company incorporated in Hong Kong, is the immediate holding company of the Company and the ultimate holding company of the Company is TCL Corporation ("TCL Corporation"), which is registered in the People's Republic of China (the "PRC").

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	% of equity attributable to the Company		Principal activities
			2015	2014	
Guangzhou Digital Rowa Technology Co., Ltd.**/#	PRC	RMB120,000,000	70	70	Manufacture of television products
Manufacturas Avanzadas, S.A. de. C.V.	Mexico	US$15,866,637	100	100	Manufacture of television products
TTE Corporation@	British Virgin Islands/Hong Kong	US$10,000	100	100	Investment holding
Shenzhen TCL New Technology Company Limited**/#	PRC	RMB10,608,600	100	100	Manufacture and sale of television products
TCL (Vietnam) Corporation Limited	Vietnam	VND37,135,000,000	100	100	Manufacture and sale of television products

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	% of equity attributable to the Company 2015	2014	Principal activities
TCL Electrical Appliance Sales Co., Ltd.**/#	PRC	RMB30,000,000	100	100	Operation of a distribution network in the PRC
TCL Electronics (HK) Limited	Hong Kong	HK$30,000,000	100	100	Trading of television products and components
TCL Electronics (Thailand) Co., Limited	Thailand	THB255,000,000	100	100	Trading of television products and components
TCL Holdings (BVI) Limited	British Virgin Islands/Hong Kong	US$25,000	100	100	Investment holding
TCL Belgium S.A.	Belgium	EUR61,500	100	100	Investment holding
TCL International Electronics (BVI) Limited@	British Virgin Islands/Hong Kong	US$1	100	100	Investment holding
TTE (North America) Holdings Limited	British Virgin Islands/Hong Kong	US$1	100	100	Investment holding
TCL Information Technology Industrial (Group) Co., Ltd.@	British Virgin Islands/Hong Kong	US$4,500,000	100	100	Investment holding
TCL King Electrical Appliances (Chengdu) Company Limited**/#	PRC	RMB100,880,000	100	100	Manufacture of television products

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	% of equity attributable to the Company 2015	2014	Principal activities
TCL King Electrical Appliances (Huizhou) Company Limited*/#	PRC	RMB485,863,120	100	100	Manufacture and sale of television products and trading of components
TCL King Electrical Appliances (Nanchang) Company Limited**/#	PRC	RMB21,400,000	100	100	Manufacture of television products
TCL King Electrical Appliances (Wuxi) Company Limited**/#	PRC	RMB78,835,125	70	70	Manufacture of television products
TCL Overseas Electronics (Huizhou) Limited*/#	PRC	RMB217,699,156	100	100	Manufacture of television products
TCL Overseas Holdings Limited	British Virgin Islands/Hong Kong	US$1	100	100	Investment holding
TCL Overseas Marketing Limited	British Virgin Islands/Hong Kong	US$1	100	100	Trading of television products and components
TTE Technology Inc.	United States of America ("USA")	US$75,954,000	100	100	Trading of television products and components
TCL Overseas Marketing (Macao Commercial Offshore) Limited	Macao	MOP100,000	100	100	Trading of television products and components
TCL Operations Polska SP. ZO.O.	Poland	PLN126,716,500	100	100	Manufacture of television products

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	% of equity attributable to the Company 2015	2014	Principal activities
TCL Optoelectronics Technology (Huizhou) Co., Ltd.@/#	PRC	RMB576,000,000	100	100	Manufacture and sale of television products and trading of components
Huizhou TCL Coretronic Co., Ltd.#	PRC	RMB32,000,000	100	100	Manufacture of television components
Toshiba Visual Products (China) Co., Ltd. ("Toshiba Visual")**/#	PRC	RMB50,000,000	70	70	Trading of television products and components
TCL Moka Manufacturing, S.A. de C.V. (formerly known as Sanyo Manufacturing S.A. de C.V. ("SMSA"))	Mexico	MXN50,000	100	90	Manufacture and sale of television products
TCL Moka, S. de R.L. de C.V.	Mexico	MXN3,000	100	100	Property holding

@ Direct subsidiaries of the Company
* Registered as wholly-foreign-owned enterprises under the PRC law
** Registered as Sino-foreign joint ventures under the PRC law
\# The English names of these companies are not official and are direct translation from their Chinese names for identification purposes only

Details of subsidiaries acquired or disposed of during 2015 and 2014 are set out in note 34 to the financial statements.

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.

2.1 BASIS OF PREPARATION

These 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 (the "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 derivative financial instruments which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries 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 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 the transactions between members of the Group are eliminated in full on consolidation.

2.1 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 in the accounting policy for subsidiaries below. 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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs 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	Amendments to a number of HKFRSs
Annual Improvements to HKFRSs 2011-2013 Cycle	Amendments to a number of HKFRSs

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

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

2.2 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 arrangement 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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(c) (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 and so this amendment is not applicable.

In addition, the Company has adopted the amendments to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) 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.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

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

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

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs (CONTINUED)

[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 is determined but is available for early adoption

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

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

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1 January 2016.

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.

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

2.4 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.

Adjustments are made to bring into line any inconsistent accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated 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*.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations 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.

Fair value measurement

The Group measures its derivative financial instruments 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.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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.

2.4 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 and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, 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 profit or loss in the period in which it arises.

2.4 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation

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

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of 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.

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:

Freehold land	Not depreciated
Leasehold land under finance leases	Over the lease terms
Buildings	2% – 5%
Leasehold improvements	20% – 50%
Plant and machinery	9% – 20%
Furniture, fixtures and equipment	18% – 33.3%
Motor vehicles	18% – 25%

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 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 buildings under construction and plant and machinery in the process of installation, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction and installation 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.

2.4 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 useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Patents and licences

Purchased patents and licences with finite lives are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 4 to 10 years.

Trademarks

Purchased trademarks with finite lives are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 10 years.

Customer relationships

Purchased customer relationships with finite lives are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 5 years.

Research and development costs

All research costs are charged to 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for a finance leases, but are depreciated over their estimated useful lives.

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

Prepaid land lease payments under operating leases are initially stated at cost and subsequently amortised 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 (including derivative financial instruments), 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.

2.4 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:

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 included in other revenue and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other operating expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in unlisted equity investments. 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.

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 profit or loss in other income, 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 profit or loss in other gains or losses. 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 profit or loss as other income 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Available-for-sale financial investments (continued)

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 profit or loss.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 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 operating expenses in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument 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.

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 profit or loss, is removed from other comprehensive income and recognised in profit or loss.

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 profit or loss – is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through 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 costs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 other payables, amounts due to T.C.L. Industries, derivative financial instruments and interest-bearing bank and other borrowings.

Subsequent measurement

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

Loans and borrowings

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

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

Derecognition of financial liabilities

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

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

2.4 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 instrument and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risk. 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.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Any gains or losses arising from changes in fair value of derivatives are taken directly to 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;

- 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments and hedge accounting (continued)

Initial recognition and subsequent measurement (continued)

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.

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

Cash flow hedges

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

Amounts recognised in other comprehensive income are transferred to 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 profit or loss in the same period or periods during which the asset acquired or liability assumed affects 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.

2.4 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.

Treasury shares

Own equity instruments which are reacquired and held by the Company (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Inventories

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 bank balances 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.

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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government grants

Government grants are recognised at their fair values 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 profit or loss over the expected useful life of the relevant asset by equal annual instalments.

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) income from the rendering of services, when the services are rendered;

(c) rental income, on a time proportion basis over the lease terms;

(d) 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; and

(e) dividend income, when the shareholders' right to receive payment has been established.

Employee benefits

Share-based payments

The Company operates a share option scheme and a share award scheme for the purpose of providing incentives and rewards to eligible participants 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").

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits (continued)

Share-based payments (continued)

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model.

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 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.

The dilutive effect of equity-settled award is reflected as additional share dilution in the computation of earnings per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other employee benefits

Pension schemes

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

Certain subsidiaries outside Hong Kong are required to contribute a certain percentage of their payroll costs to pension schemes operated by the respective governments. The only obligation of the Group with respect to the pension schemes is to pay the required ongoing contributions. Contributions under the schemes are charged to profit or loss as they become payable in accordance with the rules of the pension schemes.

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

These financial statements are presented in Hong Kong dollars, 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 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 Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss and other comprehensive income are translated into Hong Kong dollars 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 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 Hong Kong dollars 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 Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

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

Judgement

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

Derecognition of financial assets – Receivables purchase arrangements

The Group has entered into certain receivables purchase arrangements with banks on its trade receivables. As at 31 December 2015, the Group has determined that it has transferred substantially all the risks and rewards of ownership associated with certain trade receivables factored to banks under these arrangements. Accordingly, the relevant trade receivables with an aggregate carrying amount of HK$827,000 (2014: HK$39,443,000) were fully derecognised. Further details are given in note 21 to the financial statements.

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.

(i) 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 was HK$134,933,000 (2014: HK$134,933,000). Further details are given in note 15 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

(ii) 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. 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.

(iii) Useful lives and impairment of property, plant and equipment

The Group determines the useful lives and related depreciation charges for its property, plant and equipment based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The estimated useful lives could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles.

Management will increase the depreciation charge where useful lives are less than previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned. Actual economic lives of property, plant and equipment may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation in the future periods.

(iv) Impairment of trade receivables

Impairment of trade receivables is made based on assessment of the recoverability of receivables due from customers. The identification of impairment requires management judgements and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact on the carrying amount of the receivables and impairment losses/reversal of impairment losses in the period in which such estimate has been changed.

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

(v) Provision against obsolete and slow-moving inventories

The Group reviews the condition of its inventories and makes provision against obsolete and slow-moving inventory items which are identified as no longer suitable for sale or use. Management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review at the end of the reporting period and makes provision 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.

(vi) Warranty provisions

As further explained in note 30 to the financial statements, the Group makes provisions for the warranties it gives on the sale of its products taking into account the Group's current sales levels and past experience of the level of repairs and returns. 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.

(vii) Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences such as the warranty provisions and patent fee provisions and unused tax losses to the extent that it is probable that taxable profit will be available against which the losses 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. Further details on deferred tax assets are included in note 31 to the financial statements.

(viii) PRC corporate income tax

The Group is subject to income taxes in the PRC. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureaus, objective estimates and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision for income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences realise.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their geographical television segments and other product types and has two reportable operating segments as follows:

(a) Television segment – manufacture and sale of television sets in:
– the PRC market
– the overseas markets; and

(b) Others segment – comprises information technology, internet service and other businesses, including manufacture and sale of television related components, sale of white goods, mobile phones and air conditioners.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit before tax except that finance costs, interest income, share of profits and losses of joint ventures and associates as well as head office and corporate income and expenses are excluded from such measurement.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

	Television – PRC market		Television – overseas markets		Others		Total		Eliminations		Consolidated	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:												
Sales to external customers	20,958,210	20,473,400	12,896,138	12,362,293	162,485	690,572	34,016,833	33,526,265	–	–	34,016,833	33,526,265
Intersegment sales	2,204,380	3,085,271	1,172,086	1,138,538	31,825	171,402	3,408,291	4,395,211	(3,408,291)	(4,395,211)	–	–
Total	23,162,590	23,558,671	14,068,224	13,500,831	194,310	861,974	37,425,124	37,921,476	(3,408,291)	(4,395,211)	34,016,833	33,526,265
Segment results	757,157	562,374	61,716	8,230	(56,813)	(28,395)	762,060	542,209	–	–	762,060	542,209
Corporate income/(expenses), net							(526,419)	12,786			(526,419)	12,786
Finance costs							(185,692)	(196,000)			(185,692)	(196,000)
Interest income							49,024	66,361			49,024	66,361
Share of profits and losses of:												
Joint ventures	–	–	(1,869)	(3,678)	(42,467)	(19,299)	(44,336)	(22,977)			(44,336)	(22,977)
Associates	(38,549)	(39,665)	–	–	21,091	30,745	(17,458)	(8,920)			(17,458)	(8,920)
Profit before tax							37,179	393,459			37,179	393,459
Income tax							(27,039)	(147,126)			(27,039)	(147,126)
Profit for the year							10,140	246,333			10,140	246,333
Other segment information:												
Depreciation and amortisation	173,287	230,504	41,694	32,508	40,438	31,034	255,419	294,046	–	–	255,419	294,046
Impairment of items of property, plant and equipment	–	–	1	63	–	–	1	63	–	–	1	63
Investments in joint ventures	–	–	2,585	4,618	43,533	50,982	46,118	55,600	–	–	46,118	55,600
Investments in associates	168,952	209,115	–	–	301,744	299,939	470,696	509,054	–	–	470,696	509,054

Geographical information

	PRC		Europe		North America		Others		Consolidated	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	21,897,897	22,047,992	1,768,737	2,166,494	1,728,873*	674,948*	8,621,326	8,636,831	34,016,833	33,526,265
Non-current assets	2,615,258	2,936,865	133,865	167,331	197,711	210,163	7,834	9,456	2,954,668	3,323,815

The revenue information above is based on the locations of the customers. The non-current assets information above is based on the locations of the assets and excludes deferred tax assets.

* All revenue from the North America geographical segment was contributed by TTE Technology Inc., the Group's wholly-owned subsidiary registered in the USA.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Information about major customer

For the years ended 31 December 2014 and 2015, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

5. TURNOVER

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

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2015 HK$'000	2014 HK$'000
Interest on:		
Bank loans and overdrafts	176,240	188,443
Loans from TCL Corporation	–	701
Loans from T.C.L. Industries	6,334	6,239
Loans from an associate	2,244	617
Finance leases	874	–
Total	185,692	196,000

7. PROFIT BEFORE TAX

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

	2015 HK$'000	2014 HK$'000
Cost of inventories sold	28,178,825	27,930,195
Depreciation (note 13)	250,878	289,019
Research and development costs	588,574	538,042
Less: Government grants released*	(36,947)	(114,955)
	551,627	423,087

7. PROFIT BEFORE TAX (CONTINUED)

	2015 HK$'000	2014 HK$'000
Amortisation of other intangible assets (note 16)	373	312
Amortisation of prepaid land lease payments (note 14)	4,168	4,715
Minimum lease payments under operating leases in respect of land and buildings	98,150	110,088
Auditors' remuneration	9,750	13,283
Employee benefits expenses (including directors' remuneration (note 8)):		
Wages and salaries	2,141,264	2,067,166
Equity-settled share option expense	53,788	301
Employee share-based compensation benefits under the Award Scheme	42,480	–
Defined contribution expense	244,946	238,419
	2,482,478	2,305,886
Foreign exchange differences, net	280,237	54,318
Impairment of items of property, plant and equipment**	1	63
Impairment of trade receivables, net**	66,358	23,962
Impairment of goodwill**	–	35,688
Write-down of inventories to net realisable value	63,248	82,383
Gain on bargain purchase	–	(1,319)
Fair value gain of an investment in an associate	–	(35,688)
Fair value losses/(gains) on derivative financial instruments, net – transactions not qualifying as hedges	2,404	(742)
Realised gain on settlement of derivative financial instruments	(37,452)	(58,260)
Rental income, net	(15,555)	(4,813)
Interest income	(49,024)	(66,361)
Other government grants***	(52,929)	(34,680)
Loss/(gain) on disposal of items of property, plant and equipment, net**	2,336	(9,168)
Gain on disposal of subsidiaries (note 34(b))	(123,159)	–
Gain on liquidation of subsidiaries (note 34(c))	(1,140)	(158,931)
Restructuring cost provision**	1,437	279
Product warranty provision (note 30):		
Additional provision	240,401	264,630
Reversal of unutilised provision	(127,043)	(122,769)
	113,358	141,861

7. PROFIT BEFORE TAX (CONTINUED)

Notes:

* Certain government grants have been received for research activities in the PRC. The government grants received have been deducted from the research and development costs to which they are related. There are no unfulfilled conditions or contingencies relating to these grants.

** Impairment of items of property, plant and equipment, net impairment of trade receivables, impairment of goodwill, net loss on disposal of items of property, plant and equipment and restructuring cost provision are included in "Other operating expenses" on the face of the consolidated statement of profit or loss and other comprehensive income.

*** Other government grants have been received for the enhancement of technologies applied in certain of the Group's production lines in the PRC. There are no unfulfilled conditions or contingencies relating to these grants.

8. DIRECTORS' REMUNERATION

Directors' 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 Benefit of Directors) Regulation, is as follows:

	2015 **HK$'000**	2014 HK$'000
Fees	**1,189**	1,845
Other emoluments:		
Salaries, allowances and benefits in kind	**3,507**	2,608
Discretionary performance related bonuses	**2,057**	332
Equity-settled share option benefits	**6,974**	–
Employee share-based compensation benefits under the Award Scheme	**2,751**	–
Pension scheme contributions	**74**	115
	15,363	3,055
	16,552	4,900

8. DIRECTORS' REMUNERATION (CONTINUED)

(a) Independent non-executive directors

The remuneration paid to independent non-executive directors during the year was as follows:

	2015				2014			
	Fees HK$'000	Equity-settled share option benefits HK$'000	Discretionary performance related bonuses HK$'000	Total remuneration HK$'000	Fees HK$'000	Equity-settled share option benefits HK$'000	Discretionary performance related bonuses HK$'000	Total remuneration HK$'000
Mr. TANG Guliang (note (i))	–	112	–	112	300	–	–	300
Mr. Robert Maarten WESTERHOF	300	112	–	412	300	–	–	300
Ms. WU Shihong (note (ii))	183	112	–	295	300	–	–	300
Dr. TSENG Shieng-chang Carter (note (iii))	–	–	–	–	–	–	–	–
Professor SO Wai Man Raymond (note (iv))	117	58	–	175	–	–	–	–
	600	394	–	994	900	–	–	900

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

8. DIRECTORS' REMUNERATION (CONTINUED)

(b) Executive directors and non-executive directors

The remuneration paid to executive directors and non-executive directors during the year was as follows:

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary performance related bonuses HK$'000	Equity-settled share option benefits HK$'000	Employee share-based compensation benefits under the Award Scheme HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2015							
Executive directors:							
Mr. LI Dongsheng	60	650	244	1,730	–	–	2,684
Mr. BO Lianming	60	1,280	–	3,459	1,981	–	6,780
Mr. HAO Yi (note (v))	60	1,229	1,060	–	–	29	2,378
Mr. YAN Xiaolin	60	–	206	565	–	–	831
Ms. XU Fang (note (vi))	14	348	137	602	770	45	1,916
	254	3,507	1,647	6,356	2,751	74	14,589
Non-executive directors:							
Mr. Albert Thomas DA ROSA, Junior	225	–	–	112	–	–	337
Mr. HUANG Xubin	60	–	215	112	–	–	387
Mr. SHI Wanwen (note (vii))	50	–	195	–	–	–	245
	335	–	410	224	–	–	969
	589	3,507	2,057	6,580	2,751	74	15,558

8. DIRECTORS' REMUNERATION (CONTINUED)

(b) Executive directors and non-executive directors (continued)

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary performance related bonuses HK$'000	Equity-settled share option benefits HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2014						
Executive directors:						
Mr. LI Dongsheng	120	650	–	–	–	770
Mr. BO Lianming	23	198	82	–	–	303
Mr. HAO Yi	120	1,760	250	–	115	2,245
Mr. YAN Xiaolin	120	–	–	–	–	120
	383	2,608	332	–	115	3,438
Non-executive directors:						
Mr. Albert Thomas DA ROSA, Junior	225	–	–	–	–	225
Mr. BO Lianming	97	–	–	–	–	97
Mr. HUANG Xubin	120	–	–	–	–	120
Mr. SHI Wanwen	120	–	–	–	–	120
	562	–	–	–	–	562
	945	2,608	332	–	115	4,000

8. DIRECTORS' REMUNERATION (CONTINUED)

(b) Executive directors and non-executive directors (continued)

Notes:

(i) During the year, Mr. TANG Guliang agreed to return his director's remuneration for the period from August 2011 to November 2014 in the aggregate sum of RMB732,000 (equivalent to approximately HK$874,000) to the Company and waive his director's remuneration for the year ended 31 December 2015 of HK$300,000. All such remuneration will be donated by the Company for charity use.

(ii) Ms. WU Shihong resigned as an independent non-executive director of the Company with effect from 12 August 2015.

(iii) Dr. TSENG Shieng-chang Carter agreed to waive his director's remuneration for the year ended 31 December 2015 of HK$300,000 (2014: HK$300,000) and such remuneration will be donated by the Company for charity use.

(iv) Professor SO Wai Man Raymond was appointed as an independent non-executive director of the Company with effect from 12 August 2015.

(v) Mr. HAO Yi resigned as an executive director of the Company with effect from 18 September 2015.

(vi) Ms. XU Fang was appointed as an executive director of the Company with effect from 21 May 2015.

(vii) Mr. SHI Wanwen resigned as a non-executive director of the Company with effect from 21 May 2015.

Save as disclosed in notes (i) and (iii) above, there was no other arrangement under which a director returned, waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director (2014: one), details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining four (2014: four) non-director, highest paid employees for the year are as follows:

	2015 HK$'000	2014 HK$'000
Salaries, allowances and benefits in kind	12,899	4,858
Discretionary performance related bonuses	428	1,310
Equity-settled share option benefits	2,981	–
Employee share-based compensation benefits under the Award Scheme	3,518	–
Pension scheme contributions	226	1,629
	20,052	7,797

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

	Number of employees 2015	2014
HK$500,000 to HK$1,000,000	–	1
HK$1,000,001 to HK$1,500,000	–	1
HK$1,500,001 to HK$2,000,000	–	1
HK$3,500,001 to HK$4,000,000	2	–
HK$4,000,001 to HK$4,500,000	–	1
HK$5,000,001 to HK$5,500,000	1	–
HK$7,500,001 to HK$8,000,000	1	–
	4	4

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	2015 HK$'000	2014 HK$'000
Current – Hong Kong		
Charge for the year	–	14,157
Underprovision/(overprovision) in prior years	24	(10)
Current – Elsewhere		
Charge for the year	63,425	112,642
Underprovision/(overprovision) in prior years	(40,592)	35,671
Deferred (note 31)	4,182	(15,334)
Total tax charge for the year	27,039	147,126

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

	2015 HK$'000	2014 HK$'000
Profit before tax	37,179	393,459
Tax at the statutory/applicable tax rates of different countries/jurisdictions	(347)	40,905
Lower tax rates for specific provinces or enacted by local authority	(75,287)	(56,742)
Adjustments in respect of current tax of previous periods	(40,568)	35,661
Profits and losses attributable to joint ventures and associates	15,449	7,974
Income not subject to tax	(72,246)	(66,296)
Expenses not deductible for tax	79,240	125,410
Tax losses utilised from previous periods	(15,249)	(54,201)
Tax losses not recognised	136,047	105,665
Others	–	8,750
Tax charge at the Group's effective rate	27,039	147,126

The share of tax attributable to joint ventures and associates amounted to tax credit of HK$284,000 (2014: tax charge of HK$8,000) and tax charge of HK$6,482,000 (2014: HK$16,525,000), respectively, is included in "Share of profits and losses of joint ventures and associates" in the consolidated statement of profit or loss and other comprehensive income.

10. INCOME TAX (CONTINUED)

In accordance with the relevant tax rules and regulations of the PRC, certain of the Group's PRC subsidiaries enjoy a preferential corporate income tax rate of 15%. Also, a subsidiary of the Group in the PRC enjoys a total exemption of corporate income tax for two years and a half reduction for the following next three years.

11. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the year. For the year ended 31 December 2014, the final dividend proposed was HK5.28 cents per ordinary share and the total amounts proposed and paid are HK$70,414,000 and HK$70,108,000, respectively.

No interim dividend was declared in respect of the years ended 31 December 2014 and 2015.

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

The calculations of the 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	**25,811**	234,499

	Number of shares	
	2015	2014
Shares		
Weighted average number of ordinary shares in issue less shares held for Award Scheme during the year used in the basic earnings per share calculation	**1,327,860,621**	1,320,550,174
Effect of dilution – weighted average number of ordinary shares:		
Share options	**10,830,592**	521,439
Awarded shares	**18,502,992**	–
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	**1,357,194,205**	1,321,071,613

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'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	2,071,791	273,210	1,229,407	321,885	43,238	42,215	3,981,746
Accumulated depreciation and impairment	(399,348)	(206,494)	(728,663)	(250,153)	(28,247)	(12,472)	(1,625,377)
Net carrying amount	1,672,443	66,716	500,744	71,732	14,991	29,743	2,356,369
At 1 January 2015, net of accumulated depreciation and impairment	1,672,443	66,716	500,744	71,732	14,991	29,743	2,356,369
Additions	–	48,239	38,592	51,099	7,091	8,362	153,383
Disposal of subsidiaries (note 34(b))	(57,523)	–	–	–	–	–	(57,523)
Disposals	(12)	(1,641)	(7,836)	(8,765)	(1,074)	(410)	(19,738)
Depreciation provided during the year (note 7)	(82,941)	(37,247)	(71,202)	(54,277)	(5,211)	–	(250,878)
Impairment	–	–	(1)	–	–	–	(1)
Transfers	36	5,425	20,324	7,080	–	(32,865)	–
Exchange realignment	(84,589)	(3,204)	(21,369)	(7,808)	(1,311)	(578)	(118,859)
At 31 December 2015, net of accumulated depreciation and impairment	1,447,414	78,288	459,252	59,061	14,486	4,252	2,062,753
At 31 December 2015:							
Cost	1,852,940	295,570	1,178,301	265,165	41,490	16,724	3,650,190
Accumulated depreciation and impairment	(405,526)	(217,282)	(719,049)	(206,104)	(27,004)	(12,472)	(1,587,437)
Net carrying amount	1,447,414	78,288	459,252	59,061	14,486	4,252	2,062,753

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2014							
At 1 January 2014:							
Cost	1,865,973	236,134	1,475,753	302,443	46,231	85,391	4,011,925
Accumulated depreciation and impairment	(319,382)	(155,740)	(863,465)	(223,585)	(29,682)	(12,473)	(1,604,327)
Net carrying amount	1,546,591	80,394	612,288	78,858	16,549	72,918	2,407,598
At 1 January 2014, net of accumulated depreciation and impairment	1,546,591	80,394	612,288	78,858	16,549	72,918	2,407,598
Additions	12,412	43,740	41,893	48,423	5,131	165,293	316,892
Business combinations (note 34(a))	60,846	–	36,328	419	373	–	97,966
Disposals	(4,130)	(7,582)	(142,952)	(3,175)	(1,616)	(5,259)	(164,714)
Depreciation provided during the year (note 7)	(84,914)	(55,025)	(88,942)	(54,778)	(5,360)	–	(289,019)
Impairment	–	–	–	(63)	–	–	(63)
Transfers	151,942	3,805	44,389	2,642	–	(202,778)	–
Exchange realignment	(10,304)	1,384	(2,260)	(594)	(86)	(431)	(12,291)
At 31 December 2014, net of accumulated depreciation and impairment	1,672,443	66,716	500,744	71,732	14,991	29,743	2,356,369
At 31 December 2014:							
Cost	2,071,791	273,210	1,229,407	321,885	43,238	42,215	3,981,746
Accumulated depreciation and impairment	(399,348)	(206,494)	(728,663)	(250,153)	(28,247)	(12,472)	(1,625,377)
Net carrying amount	1,672,443	66,716	500,744	71,732	14,991	29,743	2,356,369

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Note: As at 31 December 2015, certain buildings of the Group situated in Hohhot, the PRC, with an aggregate carrying amount of HK$147,045,000 (2014: HK$165,085,000) did not have the building ownership certificates registered under the name of the respective subsidiary of the Group. Moreover, the land transfer procedures of the land on which the relevant buildings were constructed have not been completed and the related land premium has not been finalised with the Ministry of Land and Resources of the PRC.

In the opinion of the directors, the risk of the Group not being able to obtain the legal titles for the relevant land and buildings is low and the Group will continue to pursue and discuss with the Ministry of Land and Resources of the PRC for the final settlement and complete the ownership registration of the land and buildings.

The net carrying amounts of the Group's fixed assets held under finance leases included in the total amounts of furniture, fixtures and equipment and motor vehicles as at 31 December 2015 were HK$5,057,000 (2014: Nil) and HK$3,053,000 (2014: Nil), respectively.

14. PREPAID LAND LEASE PAYMENTS

	2015 HK$'000	2014 HK$'000
Carrying amount at 1 January	**156,913**	159,372
Additions	**–**	2,492
Disposal of subsidiaries (note 34(b))	**(9,859)**	–
Amortised during the year (note 7)	**(4,168)**	(4,715)
Exchange realignment	**(8,587)**	(236)
Carrying amount at 31 December	**134,299**	156,913
Current portion included in other receivables (note 22)	**(2,450)**	(2,983)
Non-current portion	**131,849**	153,930

15. GOODWILL

	HK$'000
Cost and carrying amount at 1 January 2014	119,638
Business combination (note 34(a)(ii))	50,983
Impairment during the year	(35,688)
Net carrying amount at 31 December 2014, 1 January 2015 and 31 December 2015	134,933
At 31 December 2015:	
Cost	170,621
Accumulated impairment	(35,688)
Net carrying amount	134,933

Impairment testing of goodwill

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

- PRC television products with the TCL brand ("TCL Brand"); and
- PRC television products with the Toshiba brand ("Toshiba Brand").

The recoverable amounts of both CGUs were determined based on value in use calculations using cash flow projections of financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections for the CGUs of both the TCL Brand and the Toshiba Brand was 14% (2014: 12%).

The impairment of goodwill in 2014 was related to the CGU of the Toshiba Brand. The impairment was made with reference to the estimated recoverable amount which was determined based on value in use calculation using cash flow projection approved by senior management. Management was of the view that such impairment was mainly caused by the decrease in budgeted profit after the restructuring of the Toshiba Brand CGU in 2014.

The carrying amount of goodwill allocated to each of the CGUs is as follows:

	TCL Brand HK$'000	Toshiba Brand HK$'000	Total HK$'000
Carrying amount of goodwill at 31 December 2014 and 31 December 2015	**119,638**	**15,295**	**134,933**

Management has determined the budgeted gross margins based on past performance and its expectation for market development. The discount rates used are before tax and reflect specific risks relating to the CGUs.

16. OTHER INTANGIBLE ASSETS

	Patents and licences HK$'000	Trademarks HK$'000	Customer relationships HK$'000	Total HK$'000
31 December 2015				
Cost at 1 January 2015, net of accumulated amortisation and impairment	**–**	**1,391**	**556**	**1,947**
Amortisation provided during the year (note 7)	**–**	**(255)**	**(118)**	**(373)**
Exchange realignment	**–**	**(71)**	**(75)**	**(146)**
At 31 December 2015	**–**	**1,065**	**363**	**1,428**
At 31 December 2015:				
Cost	**16,133**	**3,878**	**543**	**20,554**
Accumulated amortisation and impairment	**(16,133)**	**(2,813)**	**(180)**	**(19,126)**
Net carrying amount	**–**	**1,065**	**363**	**1,428**
31 December 2014				
Cost at 1 January 2014, net of accumulated amortisation and impairment	–	280	–	280
Additions	–	1,320	–	1,320
Business combinations (note 34(a)(i))	–	–	721	721
Amortisation provided during the year (note 7)	–	(218)	(94)	(312)
Exchange realignment	–	9	(71)	(62)
At 31 December 2014	–	1,391	556	1,947
At 31 December 2014:				
Cost	17,135	4,119	642	21,896
Accumulated amortisation and impairment	(17,135)	(2,728)	(86)	(19,949)
Net carrying amount	–	1,391	556	1,947

17. INVESTMENTS IN JOINT VENTURES

	2015 HK$'000	2014 HK$'000
Share of net assets	46,118	55,600

The Group's trade receivables due from a joint venture are disclosed in note 21 to the financial statements.

Summarised final information of joint ventures

The following table illustrates the aggregate summarised 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	(44,336)	(22,977)
Share of the joint ventures' total comprehensive loss for the year	(44,336)	(22,977)
Aggregate carrying amount of the Group's investments in these joint ventures	46,118	55,600

18. INVESTMENTS IN ASSOCIATES

	2015 HK$'000	2014 HK$'000
Share of net assets	407,810	444,856
Goodwill on acquisition	62,886	64,198
	470,696	509,054

The Group's trade receivables, other receivables, trade payables and other payables due from/to the associates are disclosed in notes 21, 22, 25 and 27 to the financial statements, respectively.

18. INVESTMENTS IN ASSOCIATES (CONTINUED)

Particulars of the Group's material associate are as follows:

Name	Particulars of registered capital	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activities
TCL Finance Co., Ltd. ("Finance Company")	RMB1,500,000,000	PRC	14	Provision of financial services

All the associates have been accounted for using the equity method in these financial statements. The accounting year end of the associates are coterminous with that of the Group.

Finance Company, which is considered as a material associate of the Group, is a strategic partner of the Group engaged in the provision of financial services and is accounted for using the equity method.

The Group's shareholding in Finance Company is held through a wholly-owned subsidiary of the Company. Although the Group holds less than 20% of the voting power of Finance Company, in the opinion of the directors, the Group is in a position to exercise significant influence over Finance Company through its representation in the board of directors and its participation in policy-making processes of Finance Company.

18. INVESTMENTS IN ASSOCIATES (CONTINUED)

The following table illustrates the summarised financial information of Finance Company, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2015 HK$'000	2014 HK$'000
Current assets	**9,034,171**	9,709,064
Non-current assets	**12,147,174**	8,278,813
Current liabilities	**(19,026,028)**	(15,845,456)
Net assets	**2,155,317**	2,142,421
Reconciliation to the Group's interest in the associate:		
Percentage of the Group's interest	**14%**	14%
Group's share of net assets of the associate and carrying amount of the investment	**301,744**	299,939
Revenues	**335,774**	350,693
Profit for the year	**150,652**	219,610
Total comprehensive income for the year	**150,652**	219,610

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

	2015 HK$'000	2014 HK$'000
Share of the associates' losses for the year	**(38,549)**	(39,665)
Share of the associates' total comprehensive loss for the year	**(38,549)**	(39,665)
Aggregate carrying amount of the Group's investments in these associates	**106,066**	144,917

19. AVAILABLE-FOR-SALE INVESTMENTS

	2015 HK$'000	2014 HK$'000
Unlisted equity investments, at cost	108,573	113,664
Provision for impairment	(1,682)	(1,682)
	106,891	111,982

The Group's available-for-sale investments represent investments in unlisted equity securities in the PRC. In the opinion of the directors, the fair value of these unlisted equity investments cannot be reliably measured because (a) these investments do not have quoted market prices in an active market; (b) the range of reasonable fair value estimates is significant for these investments; and (c) the probabilities of the various estimates cannot be reasonably assessed and used in estimating fair value. As such, all these unlisted equity securities are stated at cost less any impairment losses.

20. INVENTORIES

	2015 HK$'000	2014 HK$'000
Raw materials	822,128	1,436,034
Work in progress	73,369	43,408
Finished goods	2,387,424	2,575,375
	3,282,921	4,054,817

21. TRADE RECEIVABLES

	Note	2015 HK$'000	2014 HK$'000
Due from third parties		**3,950,768**	3,492,302
Provision for impairment		**(225,855)**	(201,015)
		3,724,913	3,291,287
Due from related parties:			
Companies controlled by TCL Corporation	23	**1,672,525**	945,923
Associates of TCL Corporation	23	**85,841**	5,646
A joint venture	23	**54,480**	75,094
Associates	23	**–**	188
		1,812,846	1,026,851
		5,537,759	4,318,138

The majority of the Group's sales in the PRC are conducted on a cash-on-delivery basis or on commercial bills guaranteed by banks within credit periods ranging from 30 to 90 days. For overseas sales, the Group usually requires settlement by letters of credit with tenures ranging from 90 to 180 days. Sales to certain long term strategic customers were made on the open-account basis with credit terms of no more than 180 days.

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 receivables. Trade receivables are non-interest bearing.

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

	2015 HK$'000	2014 HK$'000
Current to 90 days	**3,993,987**	3,754,547
91 to 180 days	**536,398**	239,498
181 to 365 days	**829,629**	297,349
Over 365 days	**177,745**	26,744
	5,537,759	4,318,138

21. TRADE RECEIVABLES (CONTINUED)

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

	2015 HK$'000	2014 HK$'000
At 1 January	**201,015**	211,437
Impairment losses recognised	**68,529**	36,161
Impairment losses reversed	**(2,171)**	(12,199)
Amount written off as uncollectible	**(35,058)**	(32,485)
Exchange realignment	**(6,460)**	(1,899)
At 31 December	**225,855**	201,015

The above provision for impairment of trade receivables is a provision for individually impaired trade receivables. The individually impaired trade receivables relate to customers who were either in financial difficulties or in dispute and only a portion of the receivables are expected to be recovered.

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	2015 HK$'000	2014 HK$'000
Neither past due nor impaired	**4,831,661**	3,615,371
Less than 91 days past due	**402,270**	348,579
91 to 180 days past due	**109,796**	165,247
Over 180 days past due	**194,032**	188,941
	5,537,759	4,318,138

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.

Receivables that were past due but not impaired are either relate to a number of independent customers who have a good track record with the Group or with net exposure substantially covered by credit insurance. Based on past experience, the directors of the Company are of the opinion that no further 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 to be fully recoverable.

21. TRADE RECEIVABLES (CONTINUED)

The Group has entered into certain receivables purchase agreements with banks for the factoring of trade receivables with certain designated customers. At 31 December 2015, trade receivables factored to banks with an aggregate amount of HK$827,000 (2014: HK$39,443,000) were fully derecognised from the consolidated statement of financial position because, in the opinion of the directors, the Group has transferred substantially all the risks and rewards of ownership in respect of the relevant factored receivables to banks.

22. OTHER RECEIVABLES

	Notes	2015 HK$'000	2014 HK$'000
Prepayments and deposits		173,611	275,577
Other receivables		1,145,146	1,632,555
Prepaid land lease payments	14	2,450	2,983
Prepaid royalties		214	214
Derivative financial instruments		9,119	1,293
Due from companies controlled by TCL Corporation	23	19,429	16,409
Due from associates of TCL Corporation	23	1,460	–
Due from an associate	23	–	14,633
		1,351,429	1,943,664

Note:

(a) (i) Forward currency contracts – cash flow hedge

The Group's forward currency contracts are designated as hedging instruments in respect of forecast future purchases in United States Dollars to which the Group has firm commitments. The forward currency contract balances vary with the levels of expected foreign currency purchases 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 and purchases from January to December 2016 were assessed to be highly effective and net gains of HK$5,484,000 (2014: net losses of HK$164,000) were included in the hedging reserve as follows:

	2015 HK$'000	2014 HK$'000
Total fair value losses/(gains) included in the hedging reserve	(5,299)	185
Reclassified from other comprehensive income and recognised in the statement of profit or loss	(185)	(21)
Net losses/(gains) on cash flow hedges	(5,484)	164

22. OTHER RECEIVABLES (CONTINUED)

Note: (continued)

(a) (continued)

(ii) Non-hedging currency derivatives

In addition, the Group has entered into various forward currency contracts to manage its exchange rate exposures. They are not designated for hedge purposes and are measured at fair value through profit or loss. Net losses of HK$2,404,000 (2014: net gains of HK$742,000) as a result of the changes in the fair value of these non-hedging derivative financial contracts were recognised in profit or loss for the year ended 31 December 2015.

The fair values of derivative financial instruments were classified as Level 2 of the fair value hierarchy.

The fair value of the Group's forward currency contracts is determined by discounting the estimated future cash flows which are based on forward exchange rates and contract forward rates, and the discount rate used reflects the credit risk of the forward contract counterparties.

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.

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

23. DUE FROM/TO COMPANIES CONTROLLED BY TCL CORPORATION/ASSOCIATES OF TCL CORPORATION/T.C.L. INDUSTRIES/A JOINT VENTURE/ASSOCIATES

The amounts are unsecured, repayable within one year and interest-free, except for an aggregate amount of HK$1,139,368,000 (2014: HK$853,336,000) due to T.C.L. Industries which bore interest at fixed rates of 0.8441%, 1.9564% and LIBOR + 1.8% (2014: fixed rates of 1.485% and 4.2%) per annum, and of which, an amount of HK$1,131,617,000 (2014: nil) is repayable in the second year.

24. CASH AND BANK BALANCES AND PLEDGED DEPOSITS

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

As at 31 December 2015, the Group had time deposits of HK$80,881,000 (2014: HK$203,298,000) pledged as securities for the Group's certain bills payable (note 26).

Included in the Group's cash and bank balances are deposits of HK$1,216,369,000 (2014: HK$2,463,135,000) placed with Finance Company, a financial institution approved by the People's Bank of China. The interest rates for these deposits ranged from 0.42% to 3.30% (2014: from 0.39% to 3.30%) per annum, which were determined with reference to the savings rates offered by the People's Bank of China. Further details of the interest income on the deposits with Finance Company are set out in note 37 to the financial statements.

25. TRADE PAYABLES

	Note	**2015 HK$'000**	2014 HK$'000
Due to third parties		**3,752,315**	3,223,490
Due to related parties:			
Companies controlled by TCL Corporation	23	**1,637,355**	1,687,095
Associates of TCL Corporation	23	**151,150**	9,892
Associates	23	**–**	424
		1,788,505	1,697,411
		5,540,820	4,920,901

25. TRADE PAYABLES (CONTINUED)

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

	2015 HK$'000	2014 HK$'000
Current to 90 days	5,308,227	4,691,774
91 to 180 days	89,545	40,097
181 to 365 days	52,823	70,016
Over 365 days	90,225	119,014
	5,540,820	4,920,901

The trade payables are non-interest-bearing and are normally settled within credit periods ranging from 30 to 120 days.

26. BILLS PAYABLE

As at 31 December 2015, certain bills payable of the Group with an aggregate amount of HK$75,986,000 (2014: HK$200,846,000) were secured by pledged deposits of the Group (note 24).

27. OTHER PAYABLES AND ACCRUALS

	Notes	2015 HK$'000	2014 HK$'000
Other payables	(a)	2,407,155	2,468,134
Accruals		607,449	661,632
Receipts in advance		480,793	663,645
Derivative financial instruments	22(a)	5,110	352
Due to companies controlled by TCL Corporation	23	425	300
Due to T.C.L. Industries	23	2,985	9,873
Due to an associate	23	–	1,094
		3,503,917	3,805,030

Note:

(a) The other payables are non-interest-bearing and are expected to be settled within one year.

28. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2015			2014		
	Contractual interest rate (%)	Maturity	HK$'000	Contractual interest rate (%)	Maturity	HK$'000
Current						
Bank loans – unsecured	0.83 to 2.81	2016	1,330,950	1.03 to 3.20/ LIBOR + 2.41	2015	1,736,730
Trust receipt loans – unsecured	LIBOR + (0.55 to 1.50)	2016	125,438	LIBOR + (0.55 to 1.60)/ Cost of funds + (1.00 to 1.60)	2015	298,172
Finance lease payables (note 29)	14.60	2016	4,049	–	–	–
Loans from an associate – unsecured	–	–	–	1.36 to 5.31	2015	215,662
			1,460,437			2,250,564
Non-current						
Bank loans – unsecured	–	–	–	LIBOR + 2.41	2016	925,033
Finance lease payables (note 29)	14.60	2017–2018	5,071	–	–	–
			5,071			925,033
			1,465,508			3,175,597

28. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

	2015 HK$'000	2014 HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**1,456,388**	2,034,902
In the second year	**–**	925,033
	1,456,388	2,959,935
Loans from an associate repayable:		
Within one year	**–**	215,662
Finance lease repayable:		
Within one year	**4,049**	–
In the second year	**3,502**	–
In the third year	**1,569**	–
	9,120	–
	1,465,508	3,175,597

Notes:

(a) As at 31 December 2015 and 2014, the carrying amounts of the Group's bank and other borrowings approximated to their fair values.

(b) TCL Corporation has guaranteed certain of the Group's bank loans up to HK$720,850,000 (2014: HK$497,028,000) as at the end of the reporting period.

Included in bank and other loans are the following amounts denominated in currencies other than the functional currencies of the entities to which they relate:

	2015 HK$'000	2014 HK$'000
United States dollar	**1,456,389**	3,130,597
Hong Kong dollar	**–**	45,000

29. FINANCE LEASE PAYABLES

The Group leases certain of its furniture, fixtures and equipment and motor vehicles for business use. These leases are classified as finance leases and have a remaining lease term of three years.

At 31 December 2015, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments 2015 HK$'000	Present value of minimum lease payments 2015 HK$'000
Amounts payable:		
Within one year	**4,376**	**4,049**
In the second year	**4,376**	**3,502**
In the third year	**2,187**	**1,569**
Total minimum finance lease payments	**10,939**	**9,120**
Future finance charges	**(1,819)**	
Total net finance lease payables	**9,120**	
Portion classified as current liabilities (note 28)	**(4,049)**	
Non-current portion (note 28)	**5,071**	

30. PROVISIONS

	Note	Restructuring costs HK$'000	Warranties HK$'000	Total HK$'000
At 1 January 2015		830	361,654	362,484
Additional provision	7	1,437	240,401	241,838
Amount utilised during the year		(400)	(161,501)	(161,901)
Reversal of unutilised amounts	7	–	(127,043)	(127,043)
Exchange realignment		–	(9,997)	(9,997)
At 31 December 2015		1,867	303,514	305,381

30. PROVISIONS (CONTINUED)

Warranties

The Group provides warranties ranging from one to three years to its customers on certain of its electronic products, under which faulty products are repaired or replaced. The amount of the provision for the 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.

Restructuring costs

The restructuring costs were mainly related to the redundancy costs incurred for a streamlined business model.

31. DEFERRED TAX

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

Deferred tax liabilities

	Notes	Depreciation allowance in excess of related depreciation HK$'000	Fair value adjustments on acquisitions HK$'000	Total HK$'000
At 1 January 2014		14,548	15,954	30,502
Business combination	34(a)(i)	–	9,497	9,497
Deferred tax credited to profit or loss during the year	10	(1,608)	(3,356)	(4,964)
Exchange realignment		5	(314)	(309)
Gross deferred tax liabilities at 31 December 2014 and 1 January 2015		12,945	21,781	34,726
Deferred tax credited to profit or loss during the year	10	(2,765)	(3,542)	(6,307)
Exchange realignment		(10)	(268)	(278)
Gross deferred tax liabilities at 31 December 2015		10,170	17,971	28,141

31. DEFERRED TAX (CONTINUED)

Deferred tax assets

	Notes	Elimination of unrealised profits arising from intra-group transactions HK$'000	Accruals and others provisions HK$'000	Losses available for offsetting against future taxable profits HK$'000	Fair value adjustment on acquisition HK$'000	Total HK$'000
At 1 January 2014		13,000	479	5,006	–	18,485
Business combination	34(a)(i)	–	–	–	10,134	10,134
Deferred tax credited/(charged) to profit or loss during the year	10	6,000	6,968	(2,453)	(145)	10,370
Exchange realignment		–	8	10	(917)	(899)
Gross deferred tax assets at 31 December 2014 and 1 January 2015		19,000	7,455	2,563	9,072	38,090
Deferred tax charged to profit or loss during the year	10	(5,000)	(4,505)	(578)	(406)	(10,489)
Exchange realignment		–	(227)	(178)	(1,356)	(1,761)
Gross deferred tax assets at 31 December 2015		14,000	2,723	1,807	7,310	25,840

The Group has tax losses of HK$5,170,323,000 (2014: HK$4,989,388,000) that are available for offsetting against future taxable profits of the companies in which the losses arose, subject to certain tax rules of the countries in which the Group operates. Deferred tax assets have not been recognised in respect of these losses as the utilisation of which is uncertain.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

31. DEFERRED TAX (CONTINUED)

As 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 the PRC. 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 the PRC for which deferred tax liabilities have not been recognised totalled approximately HK$3,645,475,000 at 31 December 2015 (2014: HK$3,455,032,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

32. SHARE CAPITAL

Shares

	2015 HK$'000	2014 HK$'000
Authorised:		
2,200,000,000 shares of HK$1.00 each	**2,200,000**	2,200,000
Issued and fully paid:		
1,386,361,214 (2014: 1,333,598,514) shares of HK$1.00 each	**1,386,361**	1,333,599

32. SHARE CAPITAL (CONTINUED)

A summary of movements in the Company's issued share capital and share premium account is as follows:

	Notes	Number of shares in issue	Issued capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 January 2014, 31 December 2014 and 1 January 2015		1,333,598,514	1,333,599	2,745,480	4,079,079
Issue of shares upon exercise of share options	(a)	9,089,266	9,089	34,897	43,986
Shares allotted for the Award Scheme	(b)	43,673,434	43,673	–	43,673
		1,386,361,214	1,386,361	2,780,377	4,166,738
Dividend paid		–	–	(70,108)	(70,108)
At 31 December 2015		1,386,361,214	1,386,361	2,710,269	4,096,630

Notes:

(a) During the year, the subscription rights attached to 2,010,800 and 7,078,466 share options were exercised at the subscription prices of HK$3.60 and HK$3.17 per share, respectively, resulting in the issue of an aggregate of 9,089,266 shares of HK$1.00 each for a total cash consideration of HK$29,678,000, before expenses. An amount of HK$14,308,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.

(b) Details of the shares allotted for the Award Scheme are set out in note (c) of the restricted share award scheme below.

(c) On 11 December 2015, the Company entered into a subscription agreement with an independent subscriber, pursuant to which the subscriber agreed to subscribe and the Company agreed to allot and issue 348,850,000 new shares at HK$6.50 per share for an aggregate subscription price of HK$2,267,525,000 payable at completion of the subscription. The subscription is subject to the fulfilment of certain conditions precedent, including the necessary governmental and regulatory approvals. The subscription has not yet been completed as at the date of these financial statements. The details of the subscription are set out in the Company's announcement dated 11 December 2015.

32. SHARE CAPITAL (CONTINUED)

Share options

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, advisers, consultants, agents, contractors, suppliers of goods or services to the Group, customers of the Group, the Company's shareholders, any non-controlling shareholder in the Company's subsidiaries and any other person whom the Board at its sole discretion considers may contribute or have contributed to the Group. The Scheme became effective on 15 February 2007 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The purpose of the Scheme is to recognise the contribution of eligible participants, to motivate them by providing incentives to them, to help the Company retain its existing full-time or part-time employees (including any executive and non-executive director or proposed executive and non-executive director) of the Company and its subsidiaries (the "Employees") and recruit additional employees and to provide them with a direct economic interest in attaining the long term business objectives of the Company.

Pursuant to the Scheme and subject to shareholders' approval, the maximum number of shares in respect of which options may be granted under the Scheme is such a number of shares representing 10% of the issued share capital of the Company from time to time (excluding for this purpose any shares which have been duly allotted and issued pursuant to the Scheme and any other scheme).

The maximum number of shares in respect of which options may be granted to any one participant in a 12-month period shall not exceed 1% (0.1% for connected persons) of the issued share capital of the Company. The offer of a grant of share options may be accepted upon payment of a nominal consideration of HK$1.00 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences on a specified date and ends on a date which is not later than ten years from the date of offer of the share options. The subscription price for the shares in respect of which options are granted is determinable by the directors, but may not be less than the highest of (i) the closing price of the Company's shares on the Hong Kong Stock Exchange on the date of offer; (ii) the average closing price of the Company's shares on the Hong Kong Stock Exchange for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the Company's shares.

32. SHARE CAPITAL (CONTINUED)

Share options (continued)

The following share options were outstanding under the Scheme during the year:

	2015 Weighted average exercise price per share HK$	2015 Number of options '000	2014 Weighted average exercise price per share HK$	2014 Number of options '000
At 1 January	3.231	15,020	3.197	34,182
Granted during the year	3.788	179,221	–	–
Forfeited during the year	4.255	(9,136)	3.170	(19,162)
Expired during the year	3.600	(118)	–	–
Exercised during the year	3.265	(9,089)	–	–
At 31 December	3.743	175,898	3.231	15,020

The weighted average share price at the date of exercise for share options exercised during the year ended 31 December 2015 was HK$5.436 per share. There was no share option exercised during the year ended 31 December 2014.

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2015

Number of options '000	Exercise price* per share HK$	Exercise period
5,812	3.17	Note 2
42,941	4.60	Note 3
127,145	3.48	Note 4
175,898		

32. SHARE CAPITAL (CONTINUED)

Share options (continued)

2014

Number of options '000	Exercise price* per share HK$	Exercise period
2,129	3.60	Note 1
12,891	3.17	Note 2
15,020		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

Note 1: 50% of such share options are exercisable after the expiry of 6 months from the date of grant, and the remaining 50% is exercisable after the expiry of 18 months from the date of grant, up to 7 November 2015.

Note 2: One-ninth of such share options are exercisable after the expiry of 18 months from the date of grant, a further three-ninth are exercisable after the expiry of 30 months from the date of grant, and the remaining five-ninth is exercisable after the expiry of 42 months from the date of grant, up to 4 July 2017.

Note 3: One-third of such share options are exercisable commencing from 9 January 2017, a further one-third are exercisable commencing from 9 January 2018, and the remaining one-third are exercisable commencing from 9 January 2019, up to 8 March 2021.

Note 4: For share options granted to the employees of the Group, approximately one-third of such share options are exercisable commencing from 9 January 2017, a further approximately one-third are exercisable commencing from 9 January 2018, and the remaining approximately one-third are exercisable commencing from 9 January 2019, up to 30 August 2021.

For share options granted to the employees of TCL Corporation on its behalf, approximately one-third of such share options are exercisable commencing from 31 December 2015, a further approximately one-third are exercisable commencing from 31 December 2016, and the remaining approximately one-third are exercisable commencing from 31 December 2017, up to 30 August 2021.

The fair value of the two batches of share options granted during the year were HK$90,993,000 and HK$192,925,000 (approximately HK$1.847 each and HK$1.484 each) (2014: Nil), respectively, of which the Group recognised a share option expense of HK$53,786,000 in respect of the share options granted to employees of the Group and recognised other receivables of HK$3,030,000 in respect of the share options granted to the employees of TCL Corporation on its behalf, during the year ended 31 December 2015.

32. SHARE CAPITAL (CONTINUED)

Share options (continued)

The fair value of equity-settled share options granted during the year was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the year ended 31 December 2015:

	2015
Dividend yield (%)	1.09 – 2.18 per annum
Expected volatility (%)	51.95 – 54.49 per annum
Risk-free interest rate (%)	1.459 – 1.787 per annum
Expected life of options (year)	6

The expected life of the options is based on the historical data over the past five years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

The 9,089,266 share options exercised during the year resulted in the issue of 9,089,266 ordinary shares of the Company and additional share capital of HK$9,089,000 and share premium of HK$34,897,000.

At the end of the reporting period, the Company had 175,897,961 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 175,897,961 additional ordinary shares of the Company and additional share capital and share premium amounts of approximately HK$175,898,000 and HK$482,520,000, respectively.

Restricted share award scheme

On 6 February 2008 (the "Adoption Date"), the Board approved a restricted share award scheme (the "Award Scheme") under which shares of the Company (the "Awarded Shares") may be awarded to selected employees (the "Selected Employees") in accordance with the provisions of the Award Scheme and the maximum number of the Awarded Shares awarded to the Selected Employees under the Award Scheme shall not exceed 1% of the issued share capital of the Company as at the Adoption Date.

Pursuant to the Award Scheme, the Board shall select the Selected Employees and determine the number of shares to be awarded. The Board shall pay BOCI-Prudential Trustee Limited (the "Trustee"), the trustee engaged by the Company for the purpose of administrating the Award Scheme, the purchase price and the related expenses from the Company's resources for the shares to be purchased by the Trustee. The Trustee shall purchase from the market such a number of shares awarded as specified by the Board and shall hold such shares until they are vested in accordance with the rules of the Award Scheme.

32. SHARE CAPITAL (CONTINUED)

Restricted share award scheme (continued)

Upon adoption of the Award Scheme, the Board also resolved to provide a total amount not exceeding HK$50 million to the Trustee for the purchase of the Awarded Shares to be awarded to certain current employees of the Group as a recognition of their contribution to the Group and an incentive to retain them for the continual operation and development of the Group.

On 21 April 2008, the shareholders had further approved the Board to implement the Award Scheme to its full extent (i.e. to provide further funds, in addition to the HK$50 million as mentioned in the preceding paragraph, to the Trustee in accordance with the terms of the Award Scheme for purchase of the Awarded Shares of an amount up to 10% of the issued share capital of the Company as at the Adoption Date).

On 11 August 2015 (the "Amendment Date"), the Award Scheme was amended and approved by the shareholders.

The major amendments to the Award Scheme are as follows:

1. The scope of the eligible participants of the Award Scheme was broadened from the Selected Employees to include not only the Selected Employees but also (i) advisers, consultants, agents, contractors, clients or suppliers of any member of the Group; and (ii) employees or officers of the affiliated companies whom the Board in its sole discretion considers may contribute or have contributed to the Group (collectively the "Selected Persons");

2. As an alternative to the purchase of existing shares on the market for any awards made under the Award Scheme, the Board may allot and issue new shares as Awarded Shares and has the discretion to decide whether the Awarded Shares are the existing shares to be purchased by the Trustee or new shares to be allotted and issued to the Trustee;

3. The Selected Persons shall also be entitled to the related distribution derived from the relevant Awarded Shares, which mainly covers dividend paid by the Company in respect of the Awarded Shares concerned distributed during the period from the grant date to the vesting date of the Awarded Shares, which shall however only be vested on the relevant Selected Persons on the vesting date subject to fulfilment of the vesting conditions;

4. The Company may be obliged to pay the taxes and levies on behalf of the Selected Persons at the time when the liabilities arise and has the discretion to deduct from such number of Awarded Shares entitled by the relevant Selected Persons certain number of the Awarded Shares which is sufficient to cover the relevant liabilities of such taxes and levies as reimbursement. The Awarded Shares so deducted will become returned shares, which will be held by the Trustee and may be awarded as Awarded Shares pursuant to the Award Scheme.

32. SHARE CAPITAL (CONTINUED)

Restricted share award scheme (continued)

5. The maximum aggregate number of shares awarded by the Board under the Award Scheme be amended from ten percent (10%) of the issued share capital of the Company as at the Adoption Date to ten percent (10%) of the issued share capital of the Company as at the Amendment Date, excluding all the shares awarded under the rules of the pre-amended Award Scheme up to the Amendment Date; and

6. The duration of the Award Scheme be amended to 15 years from the Adoption Date, i.e. continue in force until 2023.

	2015 Number of Awarded Shares ’000	2014 Number of Awarded Shares ’000
At 1 January		
– Number of Awarded Shares held by the Trustee	**17,648**	30,428
– Number of Awarded Shares granted but not vested	**7,078**	23,833
– Number of Awarded Shares available for grant	**11,037**	13,744
At 31 December		
– Number of Awarded Shares held by the Trustee	**54,822**	17,648
– Number of Awarded Shares granted but not vested	**41,266**	7,078
– Number of Awarded Shares available for grant	**93,065**	11,037
Granted during the year (note a)	**45,332**	2,719
– Grant using existing Shares	**1,659**	2,719
– Grant using new Shares	**43,673**	–
Lapsed during the year	**4,266**	12
Vested during the year	**6,878**	19,462
Purchased during the year (note b)	**–**	6,682
Allotted and issued during the year (note c)	**43,673**	–
Individual income tax paid on behalf of the Selected Persons during the year (note d)	**379**	–

32. SHARE CAPITAL (CONTINUED)

Restricted share award scheme (continued)

Notes:

(a) For the year ended 31 December 2015, 43,673,434 Awarded Shares were granted to the Selected Employees and 1,658,873 Awarded Shares were granted to the Selected Persons of TCL Corporation on its behalf. The fair value of the Awarded Shares on the date of grant was HK$181,329,000 (HK$4.000 per share) (2014: Nil), of which the Group recognised employee share-based compensation benefits under the Award Scheme of HK$42,480,000 (2014: Nil) in respect of the Awarded Shares granted to the Selected Employees and recognised other receivables of HK$3,367,000 in respect of the Awarded Shares granted to the Selected Persons of TCL Corporation on its behalf (2014: Nil).

(b) For the year ended 31 December 2014, the Trustee purchased 6,682,000 Awarded Shares at a total cost (including transaction costs) of HK$19,515,000. No Awarded Shares had been purchased by the Trustee for the year ended 31 December 2015.

(c) For the year ended 31 December 2015, 43,673,434 Awarded Shares were allotted and issued to the Trustee at par value (2014: Nil).

(d) For the year ended 31 December 2015, tax has been paid by the Group on behalf of certain Selected Persons whose rights were vested in the Awarded Shares and 378,864 Awarded Shares were deducted from the total number of Awarded Shares entitled to be vested to those Selected Persons, as settlement for the individual income tax paid by the Group on their behalf.

33. 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 99 and 100 of the financial statements.

(i) Share option reserve

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire after the vesting period.

(ii) Capital reserve

The Group's capital reserve represented the excess of the nominal value of the shares of the subsidiaries acquired prior to the listing of the Company's shares over the nominal value of the Company's shares issued in exchange therefor as well as the difference between the amounts of consideration and the carrying values of non-controlling interests acquired or disposed of.

(iii) Reserve funds

Pursuant to the relevant laws and regulations in the PRC, a portion of the profits of the Group's subsidiaries in the PRC has been transferred to the reserve funds which are restricted to use.

33. RESERVES (CONTINUED)

(iv) Awarded share reserve

The awarded share reserve represents the excess of the fair value of the Awarded Shares over the total cost (including related transaction costs) of the Awarded Shares awarded and vested to the Selected Employees at the date of award.

(v) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net gain or loss on the hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flows in accordance with the accounting policy adopted for cash flow hedges.

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Business combinations

Year ended 31 December 2014

(i) On 31 March 2014, the Group and Sanyo Manufacturing Corporation ("SMC"), an independent third party, entered into two agreements, namely: (i) the asset purchase agreement pursuant to which the Group agreed to acquire the assets comprising certain pieces of land (the "Land") located at the Industrial Development Zone known as Ciudad Industrial Nueva Tijuana in Baja California, Mexico, all the buildings erected on the Land and certain equipment (collectively, the "Sanyo Assets") operated in SMSA, a then non-wholly-owned subsidiary of SMC, at a consideration of US$12,850,000 (equivalent to approximately HK$99,619,000); and (ii) the stock purchase agreement pursuant to which the Group agreed to acquire 45,000 shares in SMSA, representing 90% of the equity interest in SMSA at a consideration of US$1,646,000 (equivalent to approximately HK$12,761,000). The total consideration was US$14,496,000 (equivalent to approximately HK$112,380,000). SMSA is principally engaged in the manufacture and sale of a wide range of electronic consumer products including television sets. The acquisition was completed on 30 April 2014.

The Sanyo Assets are an integral part of the operation of SMSA and therefore the above two acquisitions are linked transactions and considered as a single business combination.

The Group has elected to measure the non-controlling interest in SMSA at the non-controlling interest's proportionate share of SMSA's identifiable net assets.

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(a) Business combinations (continued)

Year ended 31 December 2014 (continued)

(i) (continued)

The aggregate fair values of the Sanyo Assets and the identifiable assets and liabilities of SMSA as at the date of acquisition were as follows:

	Fair value recognised on acquisition HK$'000
Property, plant and equipment	97,621
Other intangible assets	721
Deferred tax assets	10,134
Trade receivables	11,905
Other receivables and prepayments	5,723
Cash and bank balances	4,445
Tax payable	(832)
Other payables and accruals	(4,802)
Deferred tax liabilities	(9,497)
Total identifiable net assets at fair value	115,418
Non-controlling interests	(1,719)
	113,699
Gain on bargain purchase recognised in other revenue and gains in profit or loss (note 7)	(1,319)
Satisfied by cash	112,380

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(a) Business combinations (continued)

Year ended 31 December 2014 (continued)

(i) (continued)

An analysis of the cash flows in respect of the acquisition of Sanyo Assets and SMSA is as follows:

	HK$'000
Cash consideration	(112,380)
Cash and bank balances acquired	4,445
Net outflow of cash and cash equivalents included in cash flows from investing activities	(107,935)

Since the completion of the acquisition, SMSA did not contribute any turnover to the Group but contributed a profit of approximately HK$4,073,000 to the consolidated profit for the year ended 31 December 2014.

Had the acquisition taken place at the beginning of the year, the turnover and profit of the Group for the year ended 31 December 2014 would have been HK$33,526,265,000 and HK$246,620,000, respectively.

(ii) On 2 December 2013, the Group entered into an equity transfer agreement with Toshiba Corporation, an independent third party, pursuant to which the Group agreed to acquire an additional 21% equity interest in Toshiba Visual, a former 49% owned associate of the Group, at nil consideration. Toshiba Visual is mainly engaged in the trading of television products and components under the brand of "Toshiba". The equity transfer was completed on 9 May 2014 and Toshiba Visual became a 70% owned subsidiary of the Group since then.

This equity transfer was considered as a business combination achieved in stages. The Group accordingly remeasured the fair value of its previously held equity interest in Toshiba Visual at the equity transfer date and recognised a gain of HK$35,688,000 in profit or loss for the year ended 31 December 2014.

The Group has elected to measure the non-controlling interest in Toshiba Visual at the non-controlling interest's proportionate share of Toshiba Visual's identifiable net liabilities.

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(a) Business combinations (continued)

Year ended 31 December 2014 (continued)

(ii) (continued)

The aggregate fair values of the identifiable assets and liabilities of Toshiba Visual as at the date of equity transfer were follows:

	Fair value recognised on equity transfer HK$'000
Property, plant and equipment	345
Inventories	141,543
Trade receivables	144,979
Other receivables and prepayments	22,958
Tax recoverable	946
Cash and bank balances	17,422
Trade payables	(239,148)
Other payables and accruals	(161,878)
Total identifiable net liabilities at fair value	(72,833)
Non-controlling interests	21,850
	(50,983)
Goodwill arising on equity transfer	50,983
	–
Satisfied by:	
Cash	–
Fair value of investment in the associate held before the equity transfer	–
	–

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(a) Business combinations (continued)

Year ended 31 December 2014 (continued)

(ii) (continued)

An analysis of the cash flows in respect of the equity transfer of Toshiba Visual is as follows:

	HK$'000
Cash consideration	–
Cash and bank balances acquired	17,422
Net inflow of cash and cash equivalents included in cash flows from investing activities	17,422

Since the completion of the equity transfer, Toshiba Visual contributed approximately HK$490,746,000 and HK$47,200,000 to the Group's turnover and consolidated profit for the year ended 31 December 2014, respectively.

Had the equity transfer taken place at the beginning of the year, the turnover and profit of the Group for the year ended 31 December 2014 would have been HK$33,779,517,000 and HK$249,905,000, respectively.

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Disposal of subsidiaries

Year ended 31 December 2015

On 14 December 2015, the Group disposed of its 100% equity interest in Charter Joy Investments Limited ("Charter Joy"), together with the related shareholders' loan of approximately HK$194,712,000, to Active Industries International Limited, an associate of T.C.L. Industries, for a consideration of approximately RMB163,129,000 (equivalent to approximately HK$194,712,000). Charter Joy is an investment holding company and its subsidiary, Chengdu Legao Shidai Industries Co., Ltd.#, held a land use right and certain buildings in Chengdu. The disposal was completed on 14 December 2015.

	HK$'000
Net assets disposed of:	
Property, plant and equipment (note 13)	57,523
Prepaid land lease payments (note 14)	9,859
Cash and bank balances	3,180
Prepayments	2,341
Other payables and accruals	(114)
	72,789
Release of exchange fluctuation reserve	(1,236)
Gain on disposal of subsidiaries (note 7)	123,159
	194,712
Satisfied by:	
Cash	194,712

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Disposal of subsidiaries (continued)

Year ended 31 December 2015 (continued)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	HK$'000
Cash consideration	194,712
Cash and bank balances disposed of	(3,180)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	191,532

\# The English name of this company is not official and is direct translation from its Chinese name for identification purposes only

(c) Liquidation of subsidiaries

Year ended 31 December 2015

TCL Eletronicos de Brasil Ltda., TCL Thomson Electronics Singapore Pte. Ltd. and TCL Electronics (Singapore) Pte. Ltd., all were wholly-owned subsidiaries of the Group, were wound-up voluntarily during the year.

	HK$'000
Release of exchange fluctuation reserve upon liquidation	(1,140)
Gain on liquidation of subsidiaries (note 7)	1,140
	–
Net outflow of cash and cash equivalents in respect of the liquidation of subsidiaries	–

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(c) Liquidation of subsidiaries (continued)

Year ended 31 December 2014

TCL International Electronics (Huizhou) Co., Ltd., Inner Mongolia TCL Electrical Appliance Company Limited, TCL King Electrical Appliances (Huhehaote) Company Limited and TCL GoVideo, all were wholly-owned subsidiaries of the Group and were wound-up voluntarily during the prior year.

	HK$'000
Release of exchange fluctuation reserve upon liquidation	(158,931)
Gain on liquidation of subsidiaries (note 7)	158,931
	–
Net outflow of cash and cash equivalents in respect of the liquidation of subsidiaries	–

35. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its office properties and factories under operating lease arrangements. These leases are negotiated for terms ranging from one to five years.

As at the end of the reporting period, 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	**81,756**	64,851
In the second to fifth years, inclusive	**147,245**	43,663
After five years	**–**	322
	229,001	108,836

36. COMMITMENTS

In addition to the operating lease commitments detailed in note 35 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:		
Capital contribution payable to joint ventures	20,858	61,429
Authorised, but not contracted for:		
Land and buildings	285,522	305,633
	306,380	367,062

37. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Notes	2015 HK$'000	2014 HK$'000
A joint venture:			
Sales of finished goods	(i)	191,692	185,307
After-sales service income	(ii)	555	–
TCL Corporation:			
Interest expense	(iii)	–	701
Other finance service fees	(iv)	1,810	4,437
T.C.L. Industries:			
Interest expense	(v)	6,334	6,239
Associates:			
Interest income	(vi)	32,128	58,727
Interest expense	(vii)	2,244	617
Other finance service fees	(iv)	22,563	11,071
Sales of finished goods	(i)	–	93,721
Sales of raw materials	(viii)	–	747
Subcontracting fee expense	(ix)	–	24,898

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) (continued)

	Notes	2015 HK$'000	2014 HK$'000
Companies controlled by TCL Corporation:			
Sales of raw materials	(viii)	60,568	1,090,499
Sales of finished goods	(i)	3,121,548	1,746,179
Purchases of raw materials	(x)	5,415,624	7,854,700
Purchases of finished goods	(x)	1,487,243	848,120
Subcontracting fee expense	(ix)	1,265	558
Subcontracting income	(xi)	515	23,756
Rental, maintenance fees and facilities usage fees	(xii)	12,306	2,524
Rental expense	(xiii)	2,399	3,860
Reimbursement of brand advertising costs	(xiv)	431,952	266,156
Logistics service fee expense	(xv)	264,645	316,102
Call centre service fee expense	(xvi)	–	28,990
Reimbursement of research and development and rental expenses	(xvii)	70,062	66,325
After-sales service income	(ii)	28,952	51,798
After-sales service fee	(xviii)	246,095	81,461
Internet television service income	(xix)	2,210	–
Payment gateway service fee	(xx)	68	–
Associates of TCL Corporation:			
Purchases of raw materials	(x)	460,503	–
Sales of raw materials	(viii)	1,537	152,246
Subcontracting fee expense	(ix)	112	–
Service fee expense	(xxi)	44,920	46,294
Content income	(xxi)	2,914	2,381

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) (continued)

Notes:

(i) The sales of finished goods were made by reference to the prevailing market prices.

(ii) The after-sales service income was determined with reference to the rates of other similar services and the amount of general after-sales service expenses of the Group in the past.

(iii) In 2014, the interest was charged at a rate of 6.60% per annum.

(iv) The other finance service fees were determined with reference to the rates of other similar services provided by third party companies.

(v) The interest was charged at rates ranging from 0.84% to 3.33% and LIBOR + 1.80% (2014: from 1.49% to 4.20%) per annum.

(vi) The interest was charged at rates ranging from 0.42% to 3.30% (2014: from 0.39% to 3.30%) per annum, which were determined with reference to the savings rates quoted by the People's Bank of China.

(vii) The interest was charged at rates ranging from 1.33% to 4.79% (2014: from 1.36% to 5.31%) per annum.

(viii) The sales of raw materials were made at gross margins ranging from 14.62% to 21.24% (2014: at cost).

(ix) The subcontracting fee expense was determined with reference to subcontracting fees charged by third party companies offering similar services.

(x) The purchases of raw materials and finished goods were made at prices similar to those set by independent third party suppliers or the acquisition price plus a mark-up of 0.3%.

(xi) The subcontracting income was determined with reference to the rates of similar services provided to third party companies.

(xii) The rental, maintenance fees and facilities usage fees were determined with reference to the rates of other similar premises.

(xiii) The rental expense was charged at rates ranging from RMB26 to RMB81 (2014: from RMB10 to RMB81) per square metre.

(xiv) Reimbursement of brand advertising costs incurred by TCL Corporation was made based on 2.1% (2014: 2.0%) of the aggregate net sales of TV products using TCL A brand and TCL B brand and at 0.27% (2014: 0.25%) of the aggregate net sales of TV products of OEM brands, as defined in the Master TCL Trademark License (2014 Renewal) Agreement.

(xv) The logistics service fee was determined with reference to the rates of other similar services provided by other third party companies.

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) (continued)

Notes: (continued)

(xvi) In 2014, the call centre service fee was calculated based on the actual cost in connection with the provision of the call centre service.

(xvii) The research and development expenses represent human resource costs allocated to the Group in respect of personnel of companies controlled by TCL Corporation. The rental expenses were determined with reference to the rates of other similar premises.

(xviii) The service fee was calculated and charged at a percentage of the sales revenue (capped at 2%) of certain TV products in the PRC market.

(xix) The internet television service income was calculated and charged at a rate of 15% (2014: Nil) of net income of video-on-demand services of live televisions or at rates ranging from 5% to 30% (2014: Nil) of aggregate unit price of video-on-demand services of movies.

(xx) The service fee was charged within the range of 0.38% to 0.78% (2014: Nil) of the amount of payment made by the end customers to the Group or nil to RMB26 (2014: Nil), whichever is lower, for each electronic payment process handled by the related party.

(xxi) The service fee expense of the internet television software was charged at agreed rates between the parties and at rates ranging from RMB3 to RMB12 (2014: RMB12) for each internet television in the PRC. Content income was shared equally between the Group and the related party.

(b) Other major transactions with related parties:

On 14 December 2015, the Group disposed of its 100% equity interest in Charter Joy and the related shareholders' loan of approximately HK$194,712,000 to an associate of T.C.L. Industries for a consideration of approximately RMB163,129,000 (equivalent to approximately HK$194,712,000). Further details of the disposal are set out in note 34(b) to the financial statements.

(c) Details of compensation of key management personnel of the Group are set out in notes 8 and 9 to the financial statements.

Except for the transactions with a joint venture of the Group and certain associates of the Group and TCL Corporation included in note 37(a), all the above transactions in note 37 also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans, other interest-bearing borrowings, and cash and short term 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 forward currency contracts. The purpose is to manage the currency risks arising from the Group's operations and its sources of finance. It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

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

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

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 2.4 to the financial statements.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates.

In general, the Group's treasury department (the "Group Treasury") implements all external financings to meet the borrowing needs of all subsidiaries. In some cases, subsidiaries may borrow directly from local banks upon approval from the Group Treasury in advance. At subsidiary level, financing is generally done on a short term floating rate basis. Long term financings are normally done at Group level.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk (continued)

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings). There is no material impact on other components of the Group's equity.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax HK$'000
2015		
United States dollar	**(25)**	**2,251**
United States dollar	**25**	**(2,251)**
2014		
Hong Kong dollar	(25)	113
United States dollar	(25)	9,214
Hong Kong dollar	25	(113)
United States dollar	25	(9,214)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. In addition, certain bank loans were denominated in currencies other than the functional currencies of the entities to which they relate. The Group takes rolling forecast on the foreign currency revenue and expenses and matches the currency and the amount incurs, so as to alleviate the impact on business due to exchange rate fluctuations. 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 items to maximise hedge effectiveness.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk (continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rates of currencies other than the functional currencies of the relevant operating units, 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). There is no material impact on other components of the Group's equity.

	Increase/ (decrease) in exchange rates %	Increase/ (decrease) in profit before tax HK$'000
2015		
If Hong Kong dollar weakens against United States dollar	**5**	**(101,804)**
If Renminbi weakens against United States dollar	**5**	**(50,687)**
If Macau Pataca weakens against United States dollar	**5**	**3,881**
If Macau Pataca weakens against Euro	**5**	**10,611**
If Hong Kong dollar strengthens against United States dollar	**(5)**	**101,804**
If Renminbi strengthens against United States dollar	**(5)**	**50,687**
If Macau Pataca strengthens against United States dollar	**(5)**	**(3,881)**
If Macau Pataca strengthens against Euro	**(5)**	**(10,611)**
2014		
If Hong Kong dollar weakens against United States dollar	5	(199,186)
If Renminbi weakens against United States dollar	5	(99,768)
If Macau Pataca weakens against United States dollar	5	10,556
If Macau Pataca weakens against Euro	5	5,509
If Hong Kong dollar strengthens against United States dollar	(5)	199,186
If Renminbi strengthens against United States dollar	(5)	99,768
If Macau Pataca strengthens against United States dollar	(5)	(10,556)
If Macau Pataca strengthens against Euro	(5)	(5,509)

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit checking procedures. In addition, receivable balances are monitored on an ongoing basis.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, available-for-sale financial assets and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region. There is no significant concentration of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables are disclosed in notes 21 and 22, respectively, to the financial statements.

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 bank loans and other interest-bearing borrowings.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	2015			
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years HK$'000	Total HK$'000
Interest-bearing bank and other borrowings	1,462,084	–	–	1,462,084
Finance lease payables	4,376	4,376	2,187	10,939
Trade payables	5,540,820	–	–	5,540,820
Bills payable	1,656,855	–	–	1,656,855
Other payables	2,415,675	–	–	2,415,675
Due to T.C.L. Industries	7,785	1,174,659	–	1,182,444
	11,087,595	1,179,035	2,187	12,268,817

	2014			
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years HK$'000	Total HK$'000
Interest-bearing bank and other borrowings	2,270,010	961,069	–	3,231,079
Trade payables	4,920,901	–	–	4,920,901
Bills payable	3,543,573	–	–	3,543,573
Other payables	2,479,753	–	–	2,479,753
Due to T.C.L. Industries	856,383	–	–	856,383
	14,070,620	961,069	–	15,031,689

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. 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.

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital. The Group's policy is to maintain the gearing ratio not exceeding 100%. Net debt is calculated as a total of interest-bearing bank and other borrowings, interest-bearing amounts due to T.C.L. Industries, less cash and bank balances and pledged deposits. Total capital refers to equity attributable to owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

	Notes	**2015** **HK$'000**	2014 HK$'000
Interest-bearing bank and other borrowings	28	**1,465,508**	3,175,597
Due to T.C.L. Industries	23	**1,139,368**	853,336
Less: Cash and bank balances	24	**(2,214,927)**	(3,379,369)
Pledged deposits	24	**(80,881)**	(203,298)
Net debt		**309,068**	446,266
Equity attributable to owners of the parent		**4,296,586**	4,469,129
Gearing ratio		**7.2%**	10.0%

39. 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
NON-CURRENT ASSETS		
Investments in subsidiaries	**1,184,028**	1,215,976
CURRENT ASSETS		
Due from subsidiaries	**1,501,928**	2,606,318
Other receivables	**18,096**	54,200
Cash and bank balances	**8,956**	576
Total current assets	**1,528,980**	2,661,094
CURRENT LIABILITIES		
Other payables and accruals	**9,924**	13,062
Interest-bearing bank borrowings	**–**	220,317
Total current liabilities	**9,924**	233,379
NET CURRENT ASSETS	**1,519,056**	2,427,715
TOTAL ASSETS LESS CURRENT LIABILITIES	**2,703,084**	3,643,691
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**–**	925,033
Net assets	**2,703,084**	2,718,658
EQUITY		
Issued capital	**1,386,361**	1,333,599
Reserves	**1,316,723**	1,385,059
Total equity	**2,703,084**	2,718,658

LI Dongsheng
Director

BO Lianming
Director

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

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

	Share premium account HK$'000	Share option reserve^Δ HK$'000	Capital reserve# HK$'000	Shares held for the Award Scheme HK$'000	Awarded share reserve* HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2014	2,745,480	46,147	738,936	(90,619)	365	(1,987,685)	1,452,624
Total comprehensive loss for the year	–	–	–	–	–	(105,564)	(105,564)
Equity-settled share option arrangements	–	301	–	–	–	–	301
Share options forfeited during the year	–	(22,618)	–	–	–	–	(22,618)
Purchase of shares for the Award	–	–	–	(19,515)	–	–	(19,515)
Vesting of shares under the Award Scheme	–	–	–	57,962	21,869	–	79,831
At 31 December 2014 and 1 January 2015	2,745,480	23,830	738,936	(52,172)	22,234	(2,093,249)	1,385,059
Total comprehensive loss for the year	–	–	–	–	–	(100,785)	(100,785)
Equity-settled share option arrangements	–	56,818	–	–	–	–	56,818
Share options forfeited during the year	–	(170)	–	–	–	–	(170)
Issue of shares upon exercise of share options	34,897	(14,308)	–	–	–	–	20,589
Employee share-based compensation benefits under the Award Scheme	–	–	–	–	45,847	–	45,847
Vesting of shares under the Award Scheme	–	–	–	18,441	4,705	–	23,146
Shares allotted for the Award Scheme	–	–	–	(43,673)	–	–	(43,673)
Final 2014 dividend paid	(70,108)	–	–	–	–	–	(70,108)
At 31 December 2015	2,710,269	66,170	738,936	(77,404)	72,786	(2,194,034)	1,316,723

Δ The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire after the vesting period.

The capital reserve arose as a result of the Group reorganisation in 1999 and represents the excess of the fair value of the shares of the subsidiaries acquired over the nominal value of the Company's shares issued in exchange therefor.

* The awarded share reserve represents the excess of the fair value of the Awarded Shares over the total cost (including related transaction costs) of the Awarded Shares awarded and vested to the Selected Persons at the date of award.

40. COMPARATIVE AMOUNTS

As further explained in note 2.2 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.

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 23 March 2016.

Five Year Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and reclassified/re-presented as appropriate, is set out below.

	Year ended 31 December				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
CONTINUING OPERATIONS					
TURNOVER	**34,016,833**	33,526,265	39,494,703	36,025,004	29,026,214
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	**37,179**	393,459	33,026	883,496	488,161
Income tax	**(27,039)**	(147,126)	(155,949)	(57,121)	(122,592)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**10,140**	246,333	(122,923)	826,375	365,569
DISCONTINUED OPERATION					
Profit for the year from discontinued operation	**–**	–	88,722	95,162	95,872
PROFIT/(LOSS) FOR THE YEAR	**10,140**	246,333	(34,201)	921,537	461,441
Profit/(loss) attributable to:					
Owners of the parent	**25,811**	234,499	(48,075)	910,916	452,600
Non-controlling interests	**(15,671)**	11,834	13,874	10,621	8,841
	10,140	246,333	(34,201)	921,537	461,441

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**18,178,191**	21,482,316	22,155,505	28,019,739	24,131,861
Total liabilities	**(13,769,461)**	(16,876,138)	(17,673,124)	(23,027,894)	(20,479,176)
Non-controlling interests	**(112,144)**	(137,049)	(124,095)	(226,598)	(119,033)
	4,296,586	4,469,129	4,358,286	4,765,247	3,533,652

The Creative Life

13th Floor,
TCL Tower,
8 Tai Chung Road,
Tsuen Wan,
New Territories, Hong Kong
Tel: (852) 2437 7300
Fax: (852) 2417 7181

http://multimedia.tcl.com