coolpad 酷派

COOLPAD GROUP LIMITED
酷派集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(stock code : 2369)

2015
ANNUAL REPORT

CORPORATE PROFILE

Coolpad Group Limited (the "Company"), formerly known as China Wireless Technologies Limited, was incorporated in the Cayman Islands as an exempted company with limited liability on 11 June 2002. The shares of the Company (the "Shares") were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 9 December 2004 (Stock Code: 2369).

Yulong Computer Telecommunication Scientific (Shenzhen) Co., Ltd. ("Yulong Shenzhen") is an indirect wholly owned subsidiary of the Company. It was founded by Mr. GUO Deying (the Company's chairman, executive director and chief executive officer) in April 1993. Yulong Shenzhen is a leading developer and provider of integrated solutions for Coolpad 酷派 smartphone sets, mobile data platform system, and value-added business operations in the People's Republic of China (the "PRC" or the "Mainland China"). Yulong Shenzhen mainly provides its Coolpad products for enterprises, government and mobile operators as well as individual consumers in the PRC.

In the last decade, capitalizing on the development of wireless telecommunications technological know-how in wireless telecommunications across multiple wireless telecommunications network standards including TD-LTE, FDD-LTE, TD-SCDMA, CDMA-EVDO, WCDMA, GSM, and CDMA1X networks, the Company and its subsidiaries (collectively, the "Group") have developed a large number of proprietary technologies and patents in mobile operating systems, radio frequency, protocols and wireless data decomposed transmission technology, etc. The Group has developed advanced research and development capabilities in mobile communications and gradually becomes a leader of 4G and 3G smartphone in the Mainland China's telecommunications market.

In spite of being a leading smartphone developer in Mainland China's telecommunications market, the Group has succeeded in breaking into the global telecommunications market in respect of Coolpad brand with the overseas telecommunications operators. The Group has established strong and close strategic cooperation relationships with certain global telecommunications operators and is striving to further develop its business in the global telecommunications markets.

The Group is committed to providing every individual with the privilege to enjoy the extravagant experience of using integrated terminal of wireless data solutions. To achieve this goal, the Group is striving to realize its dream by providing customized products and services based on its differentiated mobile operating systems and applications.

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CORPORATE INFORMATION

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Hi-Tech Industry Park (Northern)
Nanshan District
Shenzhen

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1902, Mass Mutual Tower
38 Gloucester Road
Wanchai
Hong Kong

COMPANY SECRETARY

Mr. JIANG Chao, ACCA

AUDIT COMMITTEE & REMUNERATION COMMITTEE

Mr. CHAN King Chung *(Chairperson)*
Dr. HUANG Dazhan
Mr. XIE Weixin

NOMINATION COMMITTEE

Mr. GUO Deying *(Chairperson)*
Mr. XIE Weixin
Mr. CHAN King Chung

AUTHORISED REPRESENTATIVES

Mr. JIANG Chao
Mr. LI Bin

CONTACT INFORMATION FOR INVESTOR RELATIONS

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LEGAL ADVISERS TO THE COMPANY AS TO HONG KONG LAW

DLA Piper Hong Kong
17th Floor
Edinburgh Tower
The Landmark
15 Queen's Road
Central
Hong Kong

LEGAL ADVISERS TO THE COMPANY AS TO CAYMAN ISLANDS LAW

Conyers Dill & Pearman
2901 One Exchange Square
8 Connaught Place
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-16
17th Floor
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183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Bank of Communications Co., Ltd.
DBS Bank (Hong Kong) Ltd.
Hong Kong and Shanghai Banking (Hong Kong) Co., Ltd.

COMPANY WEBSITE

www.coolpad.com.hk

STOCK CODE

2369

FINANCIAL HIGHLIGHTS

The financial data below are extracted from the Group's financial statements audited by Ernst & Young and prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

RESULTS

	Year ended 31 December (HK$'000)				
	2015	2014	2013	2012	2011
Revenue	**14,667,866**	24,900,471	19,623,652	14,390,166	7,340,495
Profit before tax*	**2,311,011**	606,629	437,373	418,160	324,297
Income tax expense	**(34,505)**	(92,551)	(89,121)	(93,857)	(53,228)
Profit for the year	**2,276,506**	514,078	348,252	324,303	271,069

FINANCIAL POSITION

	As at 31 December (HK$'000)				
	2015	2014	2013	2012	2011
Non-current assets	**5,745,328**	1,625,586	1,251,002	1,244,373	1,151,664
Current assets	**8,537,979**	11,218,500	8,810,732	6,859,028	6,379,541
Non-current liabilities	**225,116**	1,704,409	57,904	98,645	143,212
Current liabilities	**6,641,496**	7,779,761	7,242,936	5,591,769	5,198,303
Net assets	**7,416,695**	3,359,916	2,760,894	2,412,987	2,189,690

* *The profit before tax included a gain on the loss of control of a subsidiary of the Group.*

CHAIRMAN'S STATEMENT

Guo Deying
Chairman, Executive Director and CEO

Dear fellow shareholders:

I am deeply honored to report the consolidated results for the year ended 31 December 2015 to the investors of the Group. In the year of 2015, the global economy went through significant adjustment. The smartphone market in Mainland China was also impacted by the economic situation, and the growth rate continued to decline in 2015.

Because of the current economy condition, fierce competition of the smartphone market, and the restructuring of its business, the Group went through a tough year in 2015. For the year ended 31 December 2015, the Group had a turnover of approximately HK$14,667.9 million, which decreased 41.1% from HK$24,900.5 million in 2014. The decrease was mostly due to the process of the business restructuring, fierce competition, and slower growth of the smartphone market in Mainland China during the year under review. The net profit of the year 2015 was approximately HK$2,276.5 million, which increased 342.8% from HK$514.1 million in the year 2014. The increase in the net profit was mainly because of the gain on the loss of control of a subsidiary. Gross profit margin for the year 2015 was 10.8%, representing a decrease of 1.3% as compared with 12.1% for the year 2014. The decline in gross profit margin was primarily attributable to the intensive competition of the 4G smartphone market and the decline of the shipments volume of the Group in the year of 2015. Basic and diluted earnings per share of the Company reached HK53.66 cents and HK52.68 cents for the year ended 31 December 2015, respectively.

Even though the percentage of the smartphone sales of the domestic telecommunications carriers channel continued to decrease in the year of 2015, the Group maintained a solid cooperation relationship with the local carriers and continued to release the flagship customized models. As an important smartphone provider in the telecommunications carriers channel, the Group strongly supported the 4G popularization plan of the carriers. To better present the notion of the brand, the Group renewed the logo of Coolpad with "4C" (Catalyst, Creative, Confident, Caring).

CHAIRMAN'S STATEMENT

In the year of 2015, the total smartphone market sold through the retail open channel recorded a good result in Mainland China. The smartphone brands who prepared earlier and better in the retail open channel performed quite well in the past year. Even though last year was the start for its brand and business operation, "ivvi" as one brand of the Group, was sold solely in the retail open channel at present and received a satisfactory brand awareness in this sales channel. "ivvi" set up cooperation with hundreds of provincial tier-1 distributors, covering tens of thousands of retail stores in Mainland China.

In addition, the Group set up a new joint venture ("JV") Coolpad E-commerce Inc. ("Coolpad E-commerce") with Tech Time Development Limited ("Tech Time"), which later become a JV operating the brand of "Dazen" to explore the e-commerce channel. To further develop the e-commerce channel, the JV released another new brand named "Qiku" to cover the higher prices segment of its products, which differed from "Dazen" brand covering lower prices segment.

The overseas market was another important section for the Group in 2015. The Group either cooperated with overseas telecommunications operators to distribute the smartphones, or exported the products directly through e-commerce and retail open channel. In particularly, the Group has successfully sold the new models through the third-party e-commerce platform in India, such as Amazon and Flipkart. As at 31 December 2015, the Group had expanded its overseas market into USA, India, Western Europe, and Southeast Asia. Not only the sales channel of the domestic market became diversified, but also the overseas sales channel became more diversified as compared with before. Meanwhile, the Group also invested more resources in improving the brand awareness globally.

The Group released the new flagship models in 2015, and earned good responses from the users. One of the flagship models under the brand of Coolpad, was equipped with a 5.5 inch IPS display covered by 2.5D curved glass, with fingerprint scanner of fingerprint technology 2.0, and with over 90% metal casing. In addition to the smooth industry design and the joyful experience of the hardware, this new model also provided the users with sweet and safe software experience, such as dual Wechat and dual operating system. Based on the idea of the plump pebbles and water drops, "ivvi" released its new flagship model with fashionable and concise design in 2015, using "Baby Skin" back texture to improve the user experience. The JV released "Qiku" flagship model with dual 13MP rear cameral module and unibody metal casing, providing the users great image quality and safe usage of the private data.

CHAIRMAN'S STATEMENT

The Group continued to strengthen its R&D capability to bring users the best smartphone experience. The Group not only kept researching and developing smart terminals of the present 4G technology, but also started working on the next 5G technology and its smart terminals. The Group officially became a member of the IMT 2020(5G) Promotion Group in March 2015, and had already been participating in the projects of the wireless and network technology group of 5G in Mainland China. The Group also deeply differentiated and optimized the functions and features of the Android operating system to bring users better mobile applications.

While the sales channels of the Group became more diversified, the strategy of the marketing also became more proactive and frequent. In the past, the Group focused more on the details of the technology solution because of the particularity of the telecommunications carriers channels. Compared with that, the Group not only emphasized the importance of the R&D, but also spent more energy and resources in improving the brand awareness and enlarge the brand promotion in 2015. The Group held hundreds of offline city-wide salons for users to experience the features of the new flagship models in different places, such as Beijing, Chengdu, Wuhan, and Xisha Island. On one hand, the Group held these offline activities, sponsored the TV shows, and invited the celebrity endorsements to improve the brand awareness. On the other hand, the Group also participated in the online Coolpad fans activities through Weibo, WeChat, and etc.

The Group continued to execute the delicacy management in order to improve general operation efficiency and control the overall cost in 2015. Delicacy management was a necessary and significant process to the Group while the competition of the smartphone market in Mainland China was fierce. In terms of delicacy management, a series of measures were taken by the Group to improve its administrative efficiency and internal operating process during the reporting period. The product quality and the production cost controls were also assured, depending on the delicacy management and the improvement of the infrastructure for the product testing and assembly.

Going forward, even though the environment of the smartphone market will be volatile, the Group will endeavor to sell more smartphones in the 4G smartphone market, leveraging on the famous brand reputation, the diverse product portfolio and the restructuring of the sales channels. The Group will not only improve the hardware specifications, but also optimize the software to support the best performance of its hardware. The Group will constantly explore and invest in the leading-edge technologies, such as 5G network, mobile cloud, and mobile security. Meanwhile, considering the fast growth of the mobile internet and the wide adoption of 4G services by mobile carriers, the Group will partner with the internet companies to provide better experience of the mobile applications to its users and seize the business opportunities brought by the mobile internet. In order to bring the users with better products and to improve its brand image, the Group will change its new products mix by releasing more and more mid-to-high-end smartphones and increasing the percentage of the mid-to-high-end products.

CHAIRMAN'S STATEMENT

As opportunities co-exist with challenges, the Group also identifies the risk of the increasing competition, maturation and slower growth of the smartphone market in Mainland China. The coming year is going to be a year of great challenges, for which the Group should work hard to achieve a new high record in 2016, through innovative technologies, hard-working philosophy, quick-responded capabilities to the market demands, and differentiated product positioning.

APPRECIATIONS

I would like to express my sincere gratitude to the Group management and staff with their consistent efforts and tireless spirit of excellence. In fact, the success of the Group is all contributed by their extraordinary ability and hard work. I would also like to take this opportunity to express my gratitude to all the shareholders, business partners, customers and suppliers of the Group for their long-term trust and support.

Guo Deying
Chairman, Executive Director and CEO

Hong Kong, 23 March 2016

TODAY'S INNOVATION
SUCCESS IN THE FUTURE

創新今天
成就未來

TOTAL REVENUE HK$14,667.9 MILLION

The financial data below are extracted from the Group's financial statements prepared under HKFRSs. The following discussion and analysis should be read in conjunction with the Group's financial statements audited by Ernst & Young.

	Year ended 31 December HK$ million		
	2015	2014	Variance (%)
Revenue			
4G Coolpad Smartphone	**12,790.5**	12,331.5	3.7
3G Coolpad Smartphone	**1,595.9**	12,179.0	-86.9
Wireless application service income	**236.0**	349.1	-32.4
Finance service income	**27.1**	4.0	577.5
Others	**18.4**	36.9	-50.1
Total revenue	**14,667.9**	24,900.5	-41.1
Cost of sales	**(13,079.1)**	(21,885.0)	-40.2
Gross profit	**1,588.8**	3,015.5	-47.3
Other income and gains	**473.0**	431.7	9.6
Gain on the loss of control of a subsidiary	**2,635.4**	–	–
Selling and distribution expenses	**(958.8)**	(1,434.8)	-33.2
Administrative expenses	**(970.3)**	(1,233.9)	-21.4
Other expenses	**(168.6)**	(83.8)	101.2
Finance costs	**(103.3)**	(87.3)	18.3
Share of profits and losses of:			
Joint ventures	**(184.5)**	(0.3)	61,400.0
Associates	**(0.7)**	(0.5)	40
Profit before tax	**2,311.0**	606.6	281.0
Income tax expense	**(34.5)**	(92.6)	-62.7
Profit for the year	**2,276.5**	514.0	342.9

MANAGEMENT DISCUSSION & ANALYSIS

REVENUE ANALYSED BY PRODUCT SEGMENTS

A comparative breakdown of the consolidated revenue streams into the product segments are set forth in the following table for the years indicated:

	Year ended 31 December			
	2015		2014	
	Revenue HK$ Million	**% of revenue**	Revenue HK$ Million	% of revenue
Revenue				
4G Coolpad smartphone	**12,790.5**	**87.2**	12,331.5	49.5
3G Coolpad smartphone	**1,595.9**	**10.9**	12,179.0	48.9
Wireless Application Service income	**236.0**	**1.6**	349.1	1.4
Finance Service	**27.1**	**0.2**	4.0	–
Others	**18.4**	**0.1**	36.9	0.2
Total	**14,667.9**	**100**	24,900.5	100

The Group recorded consolidated revenue for the year ended 31 December 2015 of HK$14,667.9 million, representing a decrease of 41.1% as compared with HK$24,900.5 million for the year ended 31 December 2014. The decrease of the consolidated revenue in 2015 was mainly due to the fact that the process of the business restructuring, fierce competition, and slower growth of the smartphone market in Mainland China during the year under review.

Revenue from the sales of 3G Coolpad smartphone decreased by 86.9% to HK$1,595.9 million for the year ended 31 December 2015 as compared with HK$12,179.0 million for year ended 31 December 2014. The decline in revenue of 3G Coolpad smartphone was primarily attributable to the Group stopped releasing new 3G models and changed its product strategic development to 4G smartphone in the year of 2015.

The revenue from the sales of 4G Coolpad smartphone increased by 3.7% to HK$12,790.5 million for the year ended 31 December 2015 as compared with HK$12,331.5 million for the year ended 31 December 2014. The percentage of the revenue from 4G smartphones increased from 49.5% in 2014 to 87.2% in the year of 2015. The increase in revenue of 4G Coolpad smartphone was primarily attributable to more 4G smartphone products launched during the reporting period.

Wireless application service income from mobile phone applications was HK$236.0 million in 2015, representing a decrease of 32.4% as compared with HK$349.1 million in 2014, due to the restructuring of the wireless application service in 2015. The revenue from finance service increased by 577.5% to HK$27.1 million for the year ended 31 December 2015 as compared with HK$4.0 million for the year ended 31 December 2014. The increase of finance service was attributable to the expansion of the finance service business in 2015 and the finance service business had only operated for a few months in 2014.

Revenue from the sale of other products decreased by HK$18.5 million, or 50.1%, to HK$18.4 million for the year ended 31 December 2015 as compared with HK$36.9 million for the year ended 31 December 2014. The decline in the revenue from the sale of other products during the year was mainly attributable to a decline in the sales of Coolpad smartphones' accessories.

MANAGEMENT DISCUSSION & ANALYSIS

GROSS PROFIT

Gross profit	Year ended 31 December 2015 Gross profit HK$ Million	2015 Gross profit margin (%)	2014 Gross profit HK$ Million	2014 Gross profit margin (%)
Total	**1,588.8**	**10.8**	3,015.5	12.1

The Group's overall gross profit for the year ended 31 December 2015 decreased to HK$1,588.8 million, representing a decrease of 47.3% as compared with HK$3,015.5 million for the year ended 31 December 2014. The Group's overall gross profit margin for the year ended 31 December 2015 decreased to 10.8%, representing a decrease of 1.3% as compared with 12.1% for the year ended 31 December 2014. The decline in gross profit margin was primarily attributable to the intensive competition of the 4G smartphone market and the decline of the shipments volume of the Group in the year of 2015.

OTHER INCOME AND GAINS

Other income and gains of the Group amounted to approximately HK$473.0 million for the year ended 31 December 2015, representing an increase of 9.6% as compared with HK$431.7 million for the year ended 31 December 2014. This increase was also attributable to the increase of government grant, subsidies received by the Group and the increase of bank interest income in 2015.

GAIN ON THE LOSS OF CONTROL OF A SUBSIDIARY

The gain of HK$2,635 million was from the loss of control of a subsidiary during the year.

SELLING AND DISTRIBUTION EXPENSES

	Year ended 31 December 2015	2014
Selling and distribution expenses (HK$ million)	**958.8**	1,434.8
Selling and distribution expenses/Revenue (%)	**6.5**	5.8

Selling and distribution expenses of the Group for the year ended 31 December 2015 decreased to HK$958.8 million, representing a decrease of approximately HK$476.0 million, or 33.2%, as compared with HK$1,434.8 million for the year ended 31 December 2014. The net decrease of HK$476.0 million was primarily attributable to the decreased expenditures for the sales in the telecommunications carriers, including marketing, advertising and promotion activities. As a percentage of total revenue, selling and distribution expenses increased to 6.5% in 2015 from 5.8% in 2014. The net increase of 0.7% as a percentage of total revenue was because of more expenditures on marketing, advertising and promotion activities to improve the brand image in the retail open channel during the year.

MANAGEMENT DISCUSSION & ANALYSIS

ADMINISTRATIVE EXPENSE

	Year ended 31 December	
	2015	2014
Administrative expenses (HK$ million)	**970.3**	1,233.9
Administrative expenses/Revenue (%)	**6.6**	5.0

Administrative expenses decreased by 21.4% from HK$1,233.9 million for the year ended 31 December 2014 to HK$970.3 million for the year ended 31 December 2015. The net decrease of HK$263.6 million was primarily attributable to the stricter budget control on the administrative expenses in 2015. As a percentage of total revenue, administrative expenses increased to 6.6% in 2015 from 5.0% in 2014. The net increase of 1.6% as a percentage of total revenue was because of the increase of the R&D expenditures on new technologies during the year.

INCOME TAX EXPENSE

For the year ended 31 December 2015, the Group's income tax expense amounted to HK$34.5 million (2014: HK$92.6 million). The decrease in the income tax expense was mainly attributable to the decrease of the Group's assessable profit in 2015.

NET PROFIT

For the year ended 31 December 2015, the Group recorded a net profit of HK$2,276.5 million, representing an increase of HK$1,762.4 million, or 342.8%, as compared with HK$514.1 million for the year ended 31 December 2014. The increase in the net profit was mainly because of the gain recognised on the loss of control of a subsidiary.

LIQUIDITY AND FINANCIAL RESOURCE

For the year ended 31 December 2015, the Group's operating capital was mainly generated from cash from its daily operation and bank borrowings. The Group's cash requirements related primarily to production and operating activities, repayment of due liabilities, capital expenditure, interest and dividend payments and other unforeseeable cash requirements. The Group had a gearing ratio of 36.4% as at 31 December 2015 (2014: 65.4%). The drop in the gearing ratio was mainly attributable to the factors of i) the decrease in long-term bank borrowings; and ii) the growth in the equity attributable to the owners of the Group. The gearing ratio is equal to net debt divided by the sum of capital and net debt.

Cash and cash equivalents of the Group as at 31 December 2015 amounted to HK$2,516.0 million, while it was HK$2,959.1 million as at 31 December 2014.

CONTINGENT LIABILITIES

As at 31 December 2015, the Group did not have any significant contingent liabilities.

MANAGEMENT DISCUSSION & ANALYSIS

PLEDGE OF ASSETS

As at 31 December 2015, the following assets of the Group were pledged for certain bank borrowings: (i) certain properties and plants of the Group located in Mainland China, the total book value of which were approximately HK$210.3 million (2014: HK$222.4 million); as at 31 December 2015, the Group's time deposits of approximately (i) HK$321.7 million were used to secure bills payable (2014: HK$470.5 million), (ii) HK$79.4 million were used as a security for issuance of letters of credit (2014: HK$103.7 million), and (iii) HK$12.4 million were used as a security for the banks to provide performance guarantees (2014: HK$43.7 million).

BUSINESS REVIEW AND OUTLOOK

In the year of 2015, the global economy went through significant adjustment. On one hand, the economic recovery of the developed countries was unstable. USA recorded a comfortable growth, but most of the other countries performed worse than expected. On the other hand, the economic growth of the developing counties slowed down, and some emerging markets even started to contract. Bulk commodity prices had declined substantially in 2015 and the crude oil prices fell to a decade low. Meanwhile, most currencies depreciated in 2015.

Despite the relatively high downturn pressure, the overall economy of China showed a slow but steady improvement in 2015. The growth of consumption and investment continued to slow down and the total import and export declined. The government introduced additional proactive fiscal policies and fine-tuned the prudent monetary policy appropriately while removing various restrictions in order to stimulate innovation in different markets. The smartphone market in Mainland China was also impacted by the economic situation, and the growth rate continued to decline in 2015. The retail open channel of the smartphone sales led the whole market in the past year. The smartphone market became more mature in 2015 and the smartphones needed more innovations and differentiations.

Because of the current economy condition, fierce competition of the smartphone market, and the restructuring of its business, the Group went through a tough year in 2015. For the year ended 31 December 2015, the Group had a turnover of approximately HK$14,667.9 million, which decreased 41.1% from HK$24,900.5 million in 2014. The decrease was mostly due to the process of the business restructuring, fierce competition, and slower growth of the smartphone market in Mainland China during the year under review. The net profit of the year 2015 was approximately HK$2,276.5 million, which increased 342.8% from HK$514.1 million in the year 2014. The increase in the net profit was mainly because of the gain on disposal of a subsidiary. Gross profit margin for the year 2015 was 10.8%, representing a decrease of 1.3% as compared with 12.1% for the year ended 31 December 2014. The decline in gross profit margin was primarily attributable to the intensive competition of the 4G smartphone market and the decline of the shipments volume of the Group in the year of 2015. Basic and diluted earnings per share of the Company reached HK53.66 cents and HK52.68 cents for the year ended 31 December 2015, respectively.

In 2014, the Group restructured its business units ("BU") to better adapt to the change of the smartphone market. Through the first year of the operation in 2015, the effect of the business restructuring started to bring the Group a much healthier operating environment, and the sales channels of the Group became more diversified and solid. However, the revenue and the shipments volume of the Group recorded a decrease in 2015 compared with the same period of 2014, because of the change of the sales channels in Mainland China, slower growth of the smartphone market, and fierce competition.

MANAGEMENT DISCUSSION & ANALYSIS

Even though the percentage of the smartphone sales of the domestic telecommunications carriers channel continued to decrease in the year of 2015, the Group maintained a solid cooperation relationship with the local carriers and continued to release the flagship customized models. As an important smartphone provider in the telecommunications carriers channel, the Group strongly supported the 4G popularization plan of the carriers. To better present the notion of the brand, the Group renewed the logo of Coolpad with "4C" (Catalyst, Creative, Confident, Caring).

In the year of 2015, the total smartphone market sold through the retail open channel recorded a good result in Mainland China. The smartphone brands who prepared earlier and better in the retail open channel performed quite well in the past year. Even though last year was the start for its brand and business operation, "ivvi" as one brand of the Group, was sold solely in the retail open channel at present and received a satisfactory brand awareness in this sales channel.

"ivvi" set up cooperation with hundreds of provincial tier-1 distributors, covering tens of thousands of retail stores in Mainland China. Meanwhile, the brand of "ivvi" exclusively sponsored a popular TV star show, called "Perhaps Love" which is produced and broadcasted by Hubei Television. The actress Ms. Zhao Liying was also invited to be the celebrity endorsements of "ivvi". "ivvi" had gained its brand recognition and more and more young users knew its slogan of "Fashion & Young".

On 16 December 2014, the Group entered into a share subscription agreement (the "Share Subscription Agreement") with Tech Time to allot 900 shares of Coolpad E-commerce to Tech Time at a consideration of USD409.05 million. The subscription was completed on 23 April 2015. On 25 May 2015, the Group entered into an equity transfer agreement with Tech Time to transfer 4.5% of the equity interest of Coolpad E-commerce to Tech Time at a consideration of USD45 million. Upon completion of the above transactions, Coolpad E-commerce was owned as to 50.5% and 49.5% by the Company and Tech Time respectively. Further details were set out in the announcement and circular of the Company dated 12 February 2015 and 25 May 2015, respectively. The Group lost control of Coolpad E-commerce since 29 May 2015 and Coolpad E-commerce became a JV operating the brands of "Dazen" to explore the e-commerce channel.

To further develop the e-commerce channel, the JV released another new brand named "Qiku" to cover the higher prices segment of its products, which differed from "Dazen" brand covering lower prices segment. On 18 September 2015, the Group, Tech Time and Coolpad E-commerce entered into the Share Adjustment Framework Agreement (the "Share Adjustment Agreement"). Pursuant to the Share Adjustment Agreement, Coolpad E-commerce agreed to repurchase 6,800 shares (after the proposed share split in Share Adjustment Agreement) of Coolpad E-commerce held by the Group, and Coolpad E-commerce as consideration for the repurchase will transfer certain intellectual property items to the Group. Upon completion the above Agreement, the Group and Tech Time will be interested in 25% and 75% of the issued share capital of Coolpad E-commerce, respectively.

The overseas market was another important section for the Group in 2015. The Group either cooperated with overseas telecommunications operators to distribute the smartphones, or exported the products directly through e-commerce and retail open channel. In particularly, the Group has successfully sold the new models through the third-party e-commerce platform in India, such as Amazon and Flipkart. As at 31 December 2015, the Group had expanded its overseas market into USA, India, Western Europe, and Southeast Asia. Not only the sales channel of the domestic market became diversified, but also the overseas sales channel became more diversified as compared with before. Meanwhile, the Group also invested more resources in improving the brand awareness globally.

MANAGEMENT DISCUSSION & ANALYSIS

The Group released the new flagship models in 2015, and earned good responses from the users. One of the flagship models under the brand of Coolpad, was equipped with a 5.5 inch IPS display covered by 2.5D curved glass, with fingerprint scanner of fingerprint technology 2.0, and with over 90% metal casing. In addition to the smooth industry design and the joyful experience of the hardware, this new model also provided the users with sweet and safe software experience, such as dual Wechat and dual operating system. Based on the idea of the plump pebbles and water drops, "ivvi" released its new flagship model with fashionable and concise design in 2015, using "Baby Skin" back texture to improve the user experience. The JV released "Qiku" flagship model with dual 13MP rear cameral module and unibody metal casing, providing the users great image quality and safe usage of the private data.

The Group continued to strengthen its R&D capability to bring users the best smartphone experience. The Group not only kept researching and developing smart terminals of the present 4G technology, but also started working on the next 5G technology and its smart terminals. The Group officially became a member of the IMT 2020(5G) Promotion Group in March 2015, and had already been participating in the projects of the wireless and network technology group of 5G in Mainland China. The Group also deeply differentiated and optimized the functions and features of the Android operating system to bring users better mobile applications.

While the sales channels of the Group became more diversified, the strategy of the marketing also became more proactive and frequent. In the past, the Group focused more on the details of the technology solution because of the particularity of the telecommunications carriers channels. Compared with that, the Group not only emphasized the importance of the R&D, but also spent more energy and resources in improving the brand awareness and enlarge the brand promotion in 2015. The Group held hundreds of offline city-wide salons for users to experience the features of the new flagship models in different places, such as Beijing, Chengdu, Wuhan, and Xisha Island. On one hand, the Group held these offline activities, sponsored the TV shows, and invited the celebrity endorsements to improve the brand awareness. On the other hand, the Group also participated in the online Coolpad fans activities through Weibo, Wechat, and etc.

The Group continued to execute the delicacy management in order to improve general operation efficiency and control the overall cost in 2015. Delicacy management was a necessary and significant process to the Group while the competition of the smartphone market in Mainland China was fierce. In terms of delicacy management, a series of measures were taken by the Group to improve its administrative efficiency and internal operating process during the reporting period. The product quality and the production cost controls were also assured, depending on the delicacy management and the improvements of the infrastructure for the product testing and assembly.

OUR OUTLOOK FOR 2016

The global economy is expected to continue to recover slowly in 2016, but the downturn risk is also increasing. The variations of the economy recovery will cause differentiations of the currencies in the developed countries. The slower growth of the economy, the decreasing price of the bulk commodity, and the outflow of the international capital will bring the emerging markets with uncertainty. The International Monetary Fund has once again pared its forecast for global growth, warning that emerging markets face steeper economic challenges in the year to come.

MANAGEMENT DISCUSSION & ANALYSIS

China's economy is still facing with large downward pressure in 2016. The demand for economic structural adjustment and industrial restructuring and upgrading will become urgent, the market-oriented reforms will accelerate, and the implementation of innovation-driven development strategy will become facilitated. By the supply-side reform, the government hopes to streamline enterprises and promote industrial adjustment through optimization of the internal structure which involves technologies, brands, quality and services. The smartphone market also faces the downward challenge in 2016, for which needs to be consolidated and requires more innovations.

The Group believes that product innovation and R&D investments are critical to its success in this highly competitive smartphone market. The Group will continue to develop and optimize its standard software and hardware development platform through close cooperation with the industry leading suppliers so as to introduce more feature-rich and ease-to-use smartphones. The Group will not only improve the hardware specifications, but also optimize the software to support the best performance of its hardware.

The Group will constantly explore and invest in the leading-edge technologies, such as 5G network, mobile cloud, and mobile security. Meanwhile, considering the fast growth of the mobile internet and the wide adoption of 4G services by mobile carriers, the Group will partner with the internet companies to provide better experience of the mobile applications to its users and seize the business opportunities brought by the mobile internet. As information security for smartphone users are becoming more and more important, the Group will spend more efforts on preventing the users' smartphone and data from mobile security threats and release the next dual systems products with better experience.

The Group will continue to leverage innovation and expertise to satisfy diversified users' needs, to enhance core competitive strengths and to improve the user experience of the products in the rapidly evolving global smartphone industry. In order to bring the users with better products and to improve its brand image, the Group will change its new products mix by releasing more and more mid-to-high-end smartphones and increasing the percentage of the mid-to-high-end products. The Group will also execute the strategy of selling the star-products, and reduce the number of its new products.

Even though the environment of the smartphone market will be volatile, the Group will further consolidate its domestic 4G smartphone market and expand the overseas market aggressively depending on its four BUs. By partnering with the provincial distributors in every province of Mainland China, the Group will expand the sales of its retail open channel and increase the number of the retail stores to sell "ivvi" and Coolpad smartphones. The Group will also enlarge its sales of overseas market depending on its own brands through different sales channels such as overseas telecommunications carriers channel, e-commerce channel and retail open channel. Meanwhile, the Group plans to assemble, process and produce its products directly in the overseas factory to save the cost and assure on time delivery.

The Group will focus more on improving the brand awareness. In order to present its brand notion better, the Group renewed its logo with the 4C meaning. The changed logo will bring the new products the style of fashion and art. The Group will carry out more marketing activities globally to improve its brand awareness through different ways, such as internet marketing, advertisements, and the celebrity endorsements.

MANAGEMENT DISCUSSION & ANALYSIS

Through the transactions described in the circular of the Company dated 31 January 2016, after the completion of the transaction, the Group can regain full control of the internet related business which is important to the development of the Company, and enables further discussion on future cooperation opportunities with internet companies in Mainland China and all over the world. The Group will strengthen the operation of the internet related business, and bring users better experience of the mobile internet. Through the internet related business, the Group will keep long-term interaction with the users instead of the one-time sale of the products like before.

Going forward, even though the environment of the smartphone market will be volatile, the Group will endeavor to sell more smartphones in the 4G smartphone market, leveraging on the famous brand reputation, the diverse product portfolio and the restructuring of the sales channels. As opportunities co-exist with challenges, the Group also identifies the risk of the increasing competition, maturation and slower growth of the smartphone market in Mainland China. The coming year is going to be a year of great challenges, for which the Group should work hard to achieve a new high record in 2016, through innovative technologies, hard-working philosophy, quick-responded capabilities to the market demands, and differentiated product positioning.

CORPORATE GOVERNANCE REPORT

APPLICATION OF CORPORATE GOVERNANCE PRINCIPLES

The board (the "Board") of directors (the "Directors") of the Company is committed to enhancing the Group's corporate governance standards by improving corporate transparency through effective channels of information disclosure.

The Board believes that good corporate governance is beneficial for maintaining close and trustful relationships with its employees, business partners, shareholders and investors.

The Company has applied the principles of the Code Provisions under the Corporate Governance Code (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31 December 2015, save for the deviation discussed below. The following sections set out the principles in the Code as they have been applied by the Company, including any deviations therefrom, for the year under review.

BOARD OF DIRECTORS

It is the duty of the Board to create value to the shareholders of the Company, establish the Company's strategic direction, set the Company's objectives and plan in accordance therewith, and provide leadership and ensure availability of resources in the attainment of such objectives. The Board endeavors to manage the Company in a responsible and effective manner, and strive to ensure that each of the Directors carries out his duty in good faith and in compliance with the memorandum and articles of association of the Company (the "Articles of Association"), the applicable laws and regulations, and acts in the best interests of the Company and its shareholders at all times.

The Board and the management of the Company (the "Management") have clearly defined responsibilities under various internal control and checks-and-balance mechanism. The Board has delegated certain responsibilities to the Management, including implementation of decisions of the Board and organization and direction of the day-to-day operation and management of the Company in accordance with the management strategies and plans approved by the Board; preparation and monitoring of annual business plans and operating budget; and control, supervision and monitoring of capital, technical and human resources. The Board will review these arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Group.

CORPORATE GOVERNANCE REPORT

BOARD COMPOSITION

The Board currently comprises eight Directors, five of whom are executive Directors, and three are independent non-executive Directors ("INEDs"). The composition of the Board is set out as follows:

EXECUTIVE DIRECTORS

Mr. GUO Deying *(Chairman of the Board and CEO)*
Mr. JIANG Chao
Mr. LI Bin
Mr. LI Wang (resigned on 18 January 2016)
Mr. JIA Yueting (appointed on 17 August 2015)
Mr. LIU Hong (appointed on 17 August 2015)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHAN King Chung
Dr. HUANG Dazhan
Mr. XIE Weixin

The biography of the Directors are set out in the "Directors and Senior Management" on pages 26 to 28 of this Annual Report.

To the best knowledge of the Company, none of the Directors has any relationship (including financial, business, family or other material or relevant relationship) with any other Director or chief executive.

The Company has arranged for appropriate liability insurance to indemnify the Directors for their liabilities arising out of corporate affairs. The insurance coverage is reviewed annually.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code Provision A.2.1 of the Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Currently, Mr. GUO Deying is the chairman of the Board and the chief executive officer of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the Management and believes that this structure enables the Group to make and implement decision promptly and efficiently. In addition, the Board is of the view that, in view of the current scale of operations of the Group, the separation of the roles of the chairman and chief executive officer of the Company may hinder administrative efficiency and is neither suitable to the Group nor in the interests of the Company's shareholders as a whole.

CORPORATE GOVERNANCE REPORT

INDEPENDENT NON-EXECUTIVE DIRECTORS

The INEDs have the same duties of care, skill and fiduciary duties as the executive Directors. They are expressly identified as such in all corporate communications that disclose the names of the Directors. The INEDs have expertise in respective areas of accounting, business management and possess in-depth industry knowledge. With their professional knowledge and experience, the INEDs have advised the Company on its operation and management; participated in the meetings of the audit committee of the Company (the "Audit Committee"), the meetings of the remuneration committee of the Company (the "Remuneration Committee") and the meetings of the nomination committee of the Company (the "Nomination Committee"). The INEDs have contributed to provide checks and balance to protect the interests of the Company and its shareholders as a whole, and to promote the development of the Company.

The Company has received an annual confirmation of independence from each of the INEDs pursuant to Rule 3.13 of the Listing Rules and on this basis, considers that all INEDs are independent as at the date of this Annual Report.

Under Code Provision A.4.1 of the Code, non-executive Directors should be appointed for specific terms, subject to re-election. Currently, all INEDs are appointed for a period of one year subject to renewal and retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association.

BOARD OPERATION

During the year ended 31 December 2015, the Board held four meetings. Besides the Annual General Meeting ("AGM") held on 23 May 2015 and the Extraordinary General Meeting ("EGM") held on 10 March 2015, no other general meeting was held during the year ended 31 December 2015.

Attendance of individual Directors at the Board meetings in 2015 is as follows:

Name of Directors	Board Meetings	AGM	EGM
Executive Directors			
Mr. GUO Deying *(Chairman)*	4/4	0/1	0/1
Mr. JIANG Chao	4/4	1/1	1/1
Mr. LI Wang (resigned on 18 January 2016)	4/4	0/1	0/1
Mr. LI Bin	4/4	0/1	0/1
Mr. JIA Yueting (appointed on 17 August 2015)	2/2	0/0	0/0
Mr. LIU Hong (appointed on 17 August 2015)	2/2	0/0	0/0
Independent Non-executive Directors			
Mr. CHAN King Chung	4/4	1/1	0/1
Dr. HUANG Dazhan	3/4	0/1	0/1
Mr. XIE Weixin	4/4	0/1	0/1

Code Provision E.1.2 of the Code specifies that the chairman of the board should attend the annual general meeting. Mr. GUO Deying, the chairman of the Board, was absent from the annual general meeting held on 23 May 2015 due to his prior business engagement. Mr. JIANG Chao, an executive Director and the elected chairman of that meeting, was available to answer questions in that meeting.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

The written terms of reference of the Remuneration Committee are in compliance with the Code. The primary duties of the Remuneration Committee include (without limitation):

(a) to make recommendations to the Board on policies and structure for remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; and

(b) to determine the remuneration packages for executive Directors and senior management and to make recommendations to the Board on the remuneration of non-executive Directors.

The Remuneration Committee is made up of all of the INEDs, namely, Mr. CHAN King Chung (Chairman), Dr. HUANG Dazhan, and Mr. XIE Weixin.

The Remuneration Committee had two meetings in 2015 which were attended by all the members of the Remuneration Committee, which were consulted by Mr. GUO Deying, the chairman of the Company, to review the remuneration packages of Directors and senior management of the Group and share option scheme. The attendance record of each member of the Remuneration Committee is set out below:

Name	Number of meetings attended
Mr. CHAN King Chung *(Chairman)*	2/2
Dr. HUANG Dazhan	2/2
Mr. XIE Weixin	2/2

No Director took part in any discussion about his or her own remuneration.

PROVISION OF INFORMATION TO DIRECTORS

To assist the Directors in the discharge of their respective duties, the Company will provide every Director with a comprehensive induction program on the first occasion of his appointment, in which the Director will be provided with information on the Company's organisation and business, including the membership, duties and responsibilities of the Board, the various Board committees and the Management; corporate governance practices and procedures; and the latest financial information of the Company. Such information shall be supplemented with visits to the Company's key plant sites and meetings with key members of the Management.

Throughout their tenure, the Directors will be provided with updates on the business of the Company, latest developments of the Listing Rules and other applicable legal and regulatory requirements, corporate social responsibility matters and other changes affecting the Company from time to time.

CORPORATE GOVERNANCE REPORT

CONTINUOUS PROFESSIONAL DEVELOPMENT

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company has arranged in-house trainings for Directors in the form of seminar and provision of training materials. A summary of training received by Directors during the year ended 31 December 2015 according to the records provided by the Directors is as follows:

Name of directors	Training on corporate governance, Directors' responsibilities and other relevant topics
Executive Directors	
Mr. GUO Deying	√
Mr. JIANG Chao	√
Mr. LI Wang (resigned on 18 January 2016)	√
Mr. LI Bin	√
Mr. JIA Yueting (appointed on 17 August 2015)	√
Mr. LIU Hong (appointed on 17 August 2015)	√
Independent Non-executive Directors	
Mr. CHAN King Chung	√
Dr. HUANG Dazhan	√
Mr. XIE Weixin	√

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct for securities transactions and dealings (the "Code of Conduct") based on the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code"). The terms of the Code of Conduct are no less exacting than the standards in the Model Code, and the Code of Conduct applies to all relevant persons as defined in the Model Code, including all the Directors, all other employees of the Company, and director and employees of a subsidiary or holding company of the Company who, because of such office or employment, are likely to be in possession of unpublished price sensitive information in relation to the Company or its securities. Specific enquiry has been made of all the Directors who have confirmed in writing their compliance with the required standards set out in the Model Code and the Code of Conduct during the year under review.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

The Audit Committee, comprising all of the INEDs, namely, Mr. CHAN King Chung (Chairman), Dr. HUANG Dazhan and Mr. XIE Weixin, has reviewed the accounting principles and practices adopted by the Company and has discussed the auditing, internal control and financial reporting matters.

In 2015, the Audit Committee held three meetings. The attendance record of each member of the Audit Committee is set out below:

Name	Number of meetings attended
Mr. CHAN King Chung *(Chairman)*	3/3
Dr. HUANG Dazhan	3/3
Mr. XIE Weixin	3/3

The Audit Committee has carefully reviewed and discussed the Company's half-yearly and annual results for the year under review and system of internal control and has made recommendations for improvement. The Audit Committee has carried out and discharged its duties set out in Code.

CORPORATE ACCOUNTABILITY AND INTERNAL CONTROL

The Board is responsible for the Group's internal control system and has the responsibility for reviewing its effectiveness. The Directors have reviewed and considered that the financial statements have been prepared in conformity with the generally accepted accounting standards in Hong Kong, and reflected amounts that are based on the best estimates and reasonable, informed and prudent judgement of the Board and the Management with an appropriate consideration to materiality.

The Board has reviewed and is satisfied with the effectiveness of the Group's internal control system and believes that, such system is sufficient in providing reasonable assurances that the Group's assets are safeguarded against loss from unauthorized use or disposition, transactions are properly authorized and proper accounting records are maintained. Such system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage rather than eliminate risks of failure in the Group's operational system.

The Board also reviews, at least annually, the adequacy of resources, staff qualifications and experience of the Group's accounting and financial reporting function, internal audit function, risk management functions, and their training programmes and budget.

CORPORATE GOVERNANCE FUNCTIONS

The Board also assumes the corporate governance functions and is responsible for: developing and reviewing the Company's policies on corporate governance; reviewing and monitoring training and continuous professional development of Directors and senior management; reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; developing, reviewing and monitoring the Company's code of conduct; and reviewing the Company's compliance with the Code and disclosure in this Corporate Governance Report. Besides, the Company has set up three committees including the Nomination Committee, the Remuneration Committee and the Audit Committee. Each committee has its specific terms of reference with reference to the Code.

CORPORATE GOVERNANCE REPORT

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2015. The Directors' responsibilities for preparing the financial statements of the Company for the year ended 31 December 2015 are set out in the Report of the Directors on page 41 of the Annual Report. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

NOMINATION COMMITTEE

The Nomination Committee comprises one executive Director and two independent non-executive Directors, namely Mr. GUO Deying (the Chairman of the Committee), Mr. CHAN King Chung and Mr. XIE Weixin as members. The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for nomination and appointment of Directors and senior management, making recommendations to the Board on the appointment and succession planning of Directors and senior management, and assessment of the independence of the independent non-executive Directors.

The Nomination Committee carries out the process of selecting and recommending candidates for directorship and senior management by making reference to the skills, experience, professional knowledge, personal integrity and regulations. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary. The Nomination Committee held two meeting during the year ended 31 December 2015. The attendance record of the Nomination Committee meeting is set out below:

Name	**Number of meetings attended**
Mr. GUO Deying *(Chairman)*	2/2
Mr. XIE Weixin	2/2
Mr. CHAN King Chung	2/2

The Nomination Committee recommended the re-appointment of the Directors standing for re-election at the next forthcoming annual general meeting of the Company.

BOARD DIVERSITY POLICY

The Board has adopted a "Board Diversity Policy" in relation to the nomination and appointment of new Directors, which sets out: the selection of board candidates shall be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience.

The above measurements were also reviewed and adopted when the Nomination Committee reviewed the composition of the Board. After assessing the suitability of the directors' skills and experience to the Company's business, the Nomination Committee confirmed that the existing Board was appropriately structured and no change was required.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

All Directors have access to the advice and services of the Company Secretary. The Company Secretary reports to the Board, and is responsible for ensuring that Board procedures are followed and for facilitating information flows and communications among Directors as well as with Shareholders and the management, Mr. JIANG Chao was appointed as the Company Secretary of the Company and he have complied with the training requirement of the Listing Rules during the year.

EXTERNAL AUDITORS

Ernst & Young has been appointed as the External Auditors of the Group for the year under review. An amount of approximately HK$3.8 million was charged by Ernst & Young for its audit services provided to the Group in 2015 (2014: HK$3.5 million). The responsibilities of the external auditors with respect to financial reporting are set out in the section headed "Independent Auditors' Report" on page 42 of this report.

During the year, HK$1.3 million (2014: HK$0.4 million) was incurred as remuneration to Ernst & Young for the provision of non-audit services to the Group which represented tax advisory services.

COMMUNICATION WITH SHAREHOLDERS AND SHAREHOLDERS' RIGHTS

The Company recognizes the importance of good communications with all shareholders and investors. The Company's annual general meeting is a valuable forum for the Board to communicate directly with the shareholders. The Company provides information relating to the Company and its business in its annual and interim reports and also disseminates such information electronically through its website www.coolpad.com.hk and the website of the Stock Exchange. All shareholders of the Company are given a minimum of 21 days' notice of the date and venue of such annual general meeting. The Company supports the Code's principle to encourage shareholders' participation.

Pursuant to the Article 58 of the Articles of Association, any one or more Shareholders holding at the date of deposit of the requisition not less than one tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition, and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

The Group values feedback from the Shareholders on its effort to promote transparency and foster investor relationships. Comments and suggestions are always welcomed. Specific enquiries and suggestions by shareholders can be sent in writing to the Board or the Company Secretary at the Company's registered address or by e-mail to the Company's email address at ir@yulong.com.

CONSTITUTIONAL DOCUMENTS

During the year under review, the Company has not made any changes to its Memorandum and Articles of Association. An updated version of the Company's Memorandum and Articles of Association is available on the websites of the Company and the Stock Exchange.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

EXECUTIVE DIRECTORS

Mr. GUO Deying

Mr. GUO Deying, aged 51, is an executive Director, the chairman and chief executive officer of the Group. He is responsible for the Group's overall management and strategic development. Mr. GUO has been the chairman, the legal representative and the general manager of the Group since its establishment in 1993. Mr. GUO has about 20 years of experience in the wireless communications industry. Mr. GUO received a master's degree in engineering from Shanghai Jiao Tong University (上海交通大學). In July 2008, Mr. GUO was awarded Mayor Award of Shenzhen (深圳市長獎) by the Shenzhen Municipal Government. Mr. GUO is a member of Guangdong province and Shenzhen Committee of Chinese People's Political Consultative Conference. Mr. GUO is the spouse of Ms. YANG Xiao, a former non-executive Director.

Mr. JIANG Chao

Mr. JIANG Chao, aged 45, is an executive Director, the chief financial officer, vice president of the Group, and the company secretary of the Company. Mr. JIANG is responsible primarily for the finance and administrative functions of the Group. He is an associate member of the Association of Chartered Certified Accountants and a certified public accountant in the PRC. Mr. JIANG joined the Group in June 2002. Mr. JIANG has about 20 years of experience in accounting and finance. Prior to joining the Group, he had worked for the State Audit Bureau. Mr. JIANG had also worked for Qiaoxing Electronic Company Limited (the shares of which are listed on the NASDAQ Stock Exchange, stock symbol: XING) and ZTE Corporation Limited (the shares of which are listed on the Main Board of the Stock Exchange, Stock Code: 763), where he was responsible for financial and accounting functions. Mr. JIANG was an independent non-executive director of Ming Fung Jewellery Group Limited (the shares of which are listed on the Stock Exchange, Stock Code: 860) from 2010 to 2015. Mr. JIANG is a member of Futian Committee of Chinese People's Political Consultative Conference. Mr. JIANG obtained a bachelor's degree in economics from Sun Yat-Sen University in 1991.

Mr. LI Bin

Mr. LI Bin, aged 45, is an executive director of the Company. Mr. LI is also a deputy general manager of the Group and responsible for the Group's sales and marketing functions. Mr. LI has more than 15 years of experience in software development and testing. Mr. LI joined the Group in June 1996. Prior to joining the Group, Mr. LI worked in China Sanjiang Aviation Industry Group Company (中國三江航天工業集團有限公司). Mr. LI obtained a bachelor's degree in computer science and software engineering from Huazhong University of Science and Technology in 1992.

DIRECTORS AND SENIOR MANAGEMENT

Mr. JIA Yueting

Mr. JIA Yueting, aged 43, is an executive Director of the Company. Mr. JIA obtained his MBA degree from Shanxi University in September 2001. From September 1995 to July 1996, Mr. JIA worked as a network administrator at Yuanqu County Local Taxation Bureau in Shanxi Province. From 1996 to 2002, he worked as the general manager of Shanxi Yuanqu Zhuoyue Industry Co., Ltd. Mr. JIA founded Shanxi XBELL Communication Technology Co., Ltd. in 2002. He is the founding chairman of Beijing XBELL Communication Technology Co., Ltd., a company established in 2003 and listed on the Mainboard of the Singapore Exchange Limited in 2007 (stock code: D3W). In 2004, he founded Leshi Internet Information & Technology Corp. Beijing ("LETV"), a company listed on the Shenzhen Stock Exchange (stock code: 300104), which is the first movie and drama website in China and the leading provider of mobile TV and internet TV services in China, and the first listed video website in China. Mr. JIA is the chairman and general manager of LETV.

Mr. LIU Hong

Mr. LIU Hong, aged 43, is an executive Director of the Company. Mr. LIU graduated and obtained a Bachelor's Degree in Mechanical Manufacturing Technology and Equipment from Nanchang Institute of Aeronautical Technology in July 1995; graduated and obtained a Bachelor's Degree in Journalism from Beijing Broadcasting Institute in July 1997; and graduated and obtained a Master's degree in Law from the University of International Business and Economics in January 2003. He is also a veteran reporter. From 1997 to 2004, he worked as a reporter at China Radio International. He was included among the 100 top journalists in 1998 by the Publicity Department of the CPC Central Committee for his efforts in reporting flood disaster relief actions in China. He joined LETV, a company listed on the Shenzhen Stock Exchange (stock code: 300104), in October 2004 and held various positions in LETV from 2004 to 2008, including deputy general manager and head of financial department. He is the vice-chairman and deputy general manager of LETV. He is also serving as the non-executive director of Beijing Media Corporation Limited, a company listed on the Stock Exchange (stock code: 1000).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHAN King Chung

Mr. CHAN King Chung, aged 53, is an independent non-executive Director and joined the Group in November 2004. He obtained a bachelor's degree in business administration and accountancy from the Chinese University of Hong Kong in 1987 and City University of Hong Kong in 1993, respectively. Mr. CHAN also obtained a Master degree in accountancy and business administration. He is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of The Hong Kong Institute of Company Secretaries. Mr. CHAN has more than 20 years of experience in corporate governance, management and financial controlling.

Dr. HUANG Dazhan

Dr. HUANG Dazhan, aged 58, is an independent non-executive Director and joined the Group in November 2004. Dr. HUANG obtained his doctorate degree from the Victoria University of Manchester, England, the United Kingdom in 1993. Dr. HUANG currently serves at China Merchants Group.

DIRECTORS AND SENIOR MANAGEMENT

Mr. XIE Weixin

Mr. XIE Weixin, aged 74, is an independent non-executive Director and joined the Group in November 2004. Mr. XIE graduated from the Department of Electronics Engineering of Xi'an University of Electronics Technology in 1965. Mr. XIE was a visiting scholar in University of Pennsylvania during the period from 1981 to 1983 and from 1989 to 1990, respectively. He was honored as one of the national outstanding middle-aged and young experts. Mr. XIE currently is the chairman of the Academic Committee of Shenzhen University, a professor in College of Information Engineering of Shenzhen University, and Mr. XIE was an independent non-executive director of Shenzhen Sed Industry Co. Limited (the shares of which are listed on the Shenzhen Stock Exchange, Stock Code: 000032) from 2010 to 2014.

SENIOR MANAGEMENT

Mr. PAN Wenyan

Mr. PAN Wenyan, aged 52, is Chief Information Official of the Group, responsible for the internal processes optimisation and IT. Mr. PAN has more than 20 years of specialised experience in enterprise information technology and process optimisation in various industries. Prior to joining the Group in 2007, Mr. PAN worked in Shenyang Aircraft Industry (Group) Co., Ltd. (瀋陽飛機工業(集團)有限公司) from 1987 to 1998; and in ZTE Corporation Limited (the shares of which are listed on the Main Board of the Stock Exchange, Stock Code: 763) from 1999 to 2007. He obtained a bachelor degree and a master degree in Beijing University of Aeronautics and Astronautics consecutively.

Mr. XU YiBo

Mr. XU YiBo, aged 41, is the vice president of the Group, responsible for R&D system of the Company. Mr. XU obtained a bachelor`s degree in electromagnetic field from Xidian University (西安電子科技大學). Mr. XU joined the Group in July 1998 and has about more than 15 years of experience in mobile communication, terminal security, cloud computing and mega data technology field, making contribution in standard work in more than 10 international and domestic standards organizations, such as 3GPP, IETF, IEEE, IMI-2020(5G) Promotion Group, etc. Mr. XU participated in the research and development of dual-standby technique which led to win the second prize of National Science and Technology Progress which is the highest award in the terminal field.

Save as disclosed above, none of the above Directors or senior management of the Company has any relationship with any Directors or senior management of the Company.

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements of the Group for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The Group is a wireless solution and equipment provider in Mainland China. The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 1 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year under review.

KEY RISKS AND UNCERTAINTIES

Risks and uncertainties involved in the business operations of the Group may affect the Group's financial conditions or growth prospects. The Group has been focusing on the control of risks and uncertainties with the aim of understanding and addressing the concerns of stakeholders.

Key risk factors and uncertainties affecting the Group include macroeconomic risks, risks of inappropriate strategies for marketing competition, risks of the fluctuation of raw materials price, risks of adjustments of policies in relation to the economy and the industry. The potential risks of macroeconomic risks arise from the effects of macro-economy's volatility, the pressure of inflation, foreign currency risk, and interest rate risk. The potential risks of inappropriate strategies for market competition arise from the risks involved in the formulation of competition strategies, risks involved in the collection of clients' information.

These factors are not exhaustive or comprehensive, and there may be other risks in addition to those shown below which are not known to the Group or which may not be material now but could become material in the future.

RESULTS, DIVIDENDS AND DISTRIBUTION

The Group's profit for the year ended 31 December 2015 and the state of affairs of the Company and the Group on that date are set out in the financial statements on pages 44 to 140.

Considering daily operation needs after the restructuring of the Group, the Directors do not recommend the payment of any final dividend for the year ended 31 December 2015.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company will be held on Thursday, 23 June 2016.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders' entitlement to attend and vote at the said annual general meeting, the register of members of the Company will be closed from 21 June 2016 to 23 June 2016 (both days inclusive), during which no transfer of shares will be effected. In order to be eligible to attend and vote at the said annual general meeting, all transfer of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited at shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on 20 June 2016.

REPORT OF THE DIRECTORS

SUMMARY FINANCIAL INFORMATION

The following is a published summary of the consolidated financial results and of the consolidated assets and liabilities of the Group for the last five financial years, prepared on the basis set out in note 2.1 to the financial statements.

	Year ended 31 December				
	2015*	2014*	2013*	2012*	2011*
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Revenue	**14,667,866**	24,900,471	19,623,652	14,390,166	7,340,495
Profit before tax	**2,311,011**	606,629	437,373	418,160	324,297
Tax	**(34,505)**	(92,551)	(89,121)	(93,857)	(53,228)
Profit for the year	**2,276,506**	514,078	348,252	324,303	271,069
Attributable to owners of the Company	**2,324,518**	512,855	348,547	325,581	271,364

	As at 31 December				
	2015*	2014*	2013*	2012*	2011*
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Non-current assets	**5,745,328**	1,625,586	1,251,002	1,244,373	1,151,664
Current assets	**8,537,979**	11,218,500	8,810,732	6,859,028	6,379,541
Non-current liabilities	**225,116**	1,704,409	57,904	98,645	143,212
Current liabilities	**6,641,496**	7,779,761	7,242,936	5,591,769	5,198,303
Net assets	**7,416,695**	3,359,916	2,760,894	2,412,987	2,189,690

* extracted from the published audited financial statements and restated/reclassified as appropriate

REPORT OF THE DIRECTORS

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.

INVESTMENT PROPERTIES

As at 31 December 2015, details of the Group's investment properties are set out below:

Location	Group interest	Tenure	Use	Gross floor area
High Tech Plaza Tian An Cyberpark, Chegongmiao Futian District, Shenzhen Guangdong Province the PRC	100%	The property is held for a term of 50 years commencing on 16 November 1988	Office	3,802.01 sq.m.

Details of movements in the investment properties of the Group are set out in note 14 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year under review are set out in notes 32 and 33 to the financial statements.

SHARE AWARD PLAN

Details of movement in the Company's shares held for the Share Award Plan during the year under review are set out in note 34 to the financial statements.

PENSION SCHEME

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

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's existing Articles of Association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities.

REPORT OF THE DIRECTORS

ISSUE, PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

As disclosed in the announcements of the Company dated 22 January 2016, 9 March 2016 and the prospectus of the Company dated 17 February 2016, the Company raised funds by way of Rights Issue (as defined below). On 17 February 2016, the Company proposed to issue 653,189,580 new ordinary shares (the "Rights Shares") at the subscription price of HK$1.10 per Rights Share on the basis of 3 Rights Shares for every 20 shares of the Company (the "Rights Issue") held on the record date which was 5 February 2016. The Rights Issue had been completed on 9 March 2016.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 44 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2015, the Company's reserves available for distribution, calculated in accordance with the Companies Law (2001 Second Revision) of the Cayman Islands, amounted to HK$815,816,000. The Board do not recommend the payment of any final dividend for the year ended 31 December 2015. The distributable reserves include the Company's share premium account and contributed surplus, amounting to HK$561,323,000 in total as at 31 December 2015, which may be distributed provided that immediately following the date on which such reserves are proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year under review, the Group has complied with the relevant laws and regulations that have a significant impact on the operations of the Group.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group considers the importance of environmental affairs and believes business development and environment affairs are highly related. The Group recognizes its corporate responsibility environmental and social sustainability and has therefore taken the initiatives with a view to reducing energy consumption, food and paper waste. The Group implements green office practices such as double-printing and copying, promoting using recycled paper and reducing energy consumption by switching off idle lightings and electrical appliances. Through the initiative taken to control electricity consumption by using energy-efficient retrofits and air-conditioning and lighting control measures in workplaces, we have seen continued improvement in reducing the use of electricity. The Group also emphasized the social responsibility of eco-friendly production.Going forward, the Group will continue to promote environmental and social sustainability through various initiatives consistent with its policies and relevant laws and regulations.

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 65.71% of the total sales for the year and sales to the largest customer included therein amounted to 22.41%. Purchases from the Group's five largest suppliers accounted for approximately 35.21% of the total purchases for the year ended 31 December 2015 and purchases from the largest supplier included therein amounted to 9.87%.

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

RELATIONSHIPS WITH CUSTOMERS AND SUPPLIERS

The Group understands that it is important to maintain good relationship with its suppliers and customers to fulfil its long-term goals and maintain the leading position in the market. To maintain its core competitiveness and brand dominant status, the Group aims at delivering constantly high standards of quality in the service to its customers. During the reporting period, there was no material and significant dispute between the Group and its suppliers and/or customers.

DIRECTORS

The Directors of the Company during the year under review and up to the date of this report were:

EXECUTIVE DIRECTORS:

Mr. GUO Deying *(Chairman and Chief Executive Officer)*
Mr. JIANG Chao
Mr. LI Bin
Mr. LI Wang (resigned on 18 January 2016)
Mr. JIA Yueting (appointed on 17 August 2015)
Mr. LIU Hong (appointed on 17 August 2015)

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Dr. HUANG Dazhan
Mr. XIE Weixin
Mr. CHAN King Chung

Under the provisions of the Articles of Association, one-third of the Directors of the Company are subject to retirement by rotation and re-election at each annual general meeting.

In accordance with the Articles of Association, Mr. GUO Deying, Mr. LI Bin and Mr. JIANG Chao will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

The Company has received from each of the independent non-executive Directors an annual confirmation pursuant to Rule 3.13 of the Listing Rules and the Board still considers each of the independent non-executive Directors to be independent from the Company.

REPORT OF THE DIRECTORS

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 26 to 28 of the Annual Report.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. GUO Deying and Mr. JIANG Chao, executive Directors, has entered into a service agreement with the Company dated 21 November 2014 for a term of three years commencing from 21 November 2014.

Mr. LI Bin, executive Director, has entered into a service agreement with the Company dated 7 April 2015 for an initial term of three years commencing from 7 April 2015.

Each of Mr. JIA Yueting and Mr. LIU Hong, executive Directors, has entered into a service agreement with the Company dated 17 August 2015 for a term of three years commencing from 17 August 2015.

Each of Dr. HUANG Dazhan, Mr. XIE Weixin and Mr. CHAN King Chung, the independent non-executive Directors have entered into service agreements with the Company for a term of one year commencing from 21 November 2015.

None of the Directors has entered into 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' REMUNERATION

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

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

Save as disclosed in notes 25 and 38 to the financial statements, neither Director nor entity connected with the Director had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group subsisting at any time during the year under review or at the end of the year under review to which the Company or any of its subsidiaries was a party.

CONTROLLING SHAREHOLDERS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

Save as disclosed in notes 25 and 38 to the financial statements, no controlling shareholders of the Company had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group subsisting at any time during the year under review or at the end of the year under review to which the Company or any of its subsidiaries was a party.

REPORT OF THE DIRECTORS

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

As at 31 December 2015, the interests and short positions of the Directors, the chief executive or their respective associates in the share capital, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO"), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

LONG POSITIONS IN SHARES OF THE COMPANY:

Name of director	*Notes*	Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Beneficiary of a trust	Founder of a trust	Share Option	Total	Approximate percentage of the Company's issued share capital (%)
Mr. GUO Deying	*1 & 2*	–	881,962,496	420,000	–	881,962,496	–	882,382,496	20.26
Mr. JIANG Chao	*3*	25,200,000	–	–	420,000	–	–	25,620,000	0.59
Mr. LI Bin	*4*	17,500,000	–	–	–	–	51,200,000	68,700,000	1.58
Mr. LI Wang (resigned on 18 January 2016)	*4*	10,040,000	–	–	–	–	15,600,000	25,640,000	0.59
Mr. JIA Yueting	*5*		–	780,380,000	–	–	–	780,380,000	17.92
Mr. CHAN King Chung	*4*	384,000	–	–	–	–	–	384,000	0.01
Mr. HUANG Dazhan	*4*	288,000	–	–	–	–	–	288,000	0.01
Mr. XIE Weixin	*4*	384,000	–	–	–	–	–	384,000	0.01

LONG POSITIONS IN SHARES OF AN ASSOCIATED CORPORATION:

			Number of shares held, capacity and nature of interest		
Name of director	*Note*	Name of associated corporation	Through spouse or minor children	Founder of a discretionary trust	Percentage of issued share capital of the associated corporation (%)
Mr. GUO Deying	*1*	Data Dreamland Holding Limited	1,000	1,000	100

REPORT OF THE DIRECTORS

Notes:

1. The entire issued share capital of Data Dreamland Holding Limited ("Data Dreamland") is held by Barrie Bay Limited ("Barrie Bay"), which is acting as the trustee of the Barrie Bay Trust. The Barrie Bay Trust is a unit trust held by HSBC International Trustee Limited ("HSBC Trustee") acting as the trustee of the Barrie Bay Trust. The Barrie Bay Trust is a discretionary trust set up by Mr. GUO Deying ("Mr. GUO"), an executive Director, and his spouse, Ms. YANG Xiao ("Ms. YANG"), the beneficiary objects of which include the children of Mr. GUO and Ms. YANG.

   Each of Mr. GUO and Ms. YANG is taken to be interested in the 881,962,496 shares held by Data Dreamland as each of them is a settlor of the Barrie Bay Trust and by virtue of the interests of their minor children under the Barrie Bay Trust. The long positions in the Company's shares of each of Mr. GUO and Ms. YANG under the column "Through spouse or minor children" and the column "Founder of a discretionary trust" in the table headed "Long positions in shares of the Company" above refers to the same 881,962,496 shares. Each of Mr. GUO and Ms. YANG is taken to be interested in the entire issued share capital of Data Dreamland as each of them is a settlor of the Barrie Bay Trust and by virtue of the interests of their minor children under the Barrie Bay Trust. The long positions in shares of Data Dreamland of each of Mr. GUO and Ms. YANG in the column "Through spouse or minor children" and the column "Founder of a discretionary trust" under the table headed "Long positions in shares of an associated corporation" above refers to the same 1,000 shares.

2. Mr. GUO was taken to be interested in the 420,000 shares held by Wintech Consultants Limited as he was one out of the three directors of Wintech Consultants Limited and the other two directors were accustomed to act in accordance with Mr. GUO's direction.

3. Mr. JIANG Chao, an executive Director, was interested in the 420,000 shares held by Wintech Consultants Limited as he was one of the discretionary objects under the Coolpad Group Employee Benefit Trust, a discretionary trust established for the benefit of the employees of the Group and the Coolpad Group Share Award Plan.

4. The interests of these Directors are in the underlying Shares of the options granted to the relevant Directors by the Company under the Share Option Scheme.

5 Mr. JIA Yueting is interested in 780,380,000 shares of the Company as follows:

Name of controlled corporation	Name of controlling shareholder	% control	Direct interest	Number of shares	
Leview Mobile HK Limited	Leview Mobile Limited	100.00	Y	Long position	780,380,000
Leview Mobile Ltd.	Le Ltd.	100.00	N	Long position	780,380,000
Le Ltd.	Lele Holding Ltd.	100.00	N	Long position	780,380,000
Lele Holding Ltd.	JIA Yueting	100.00	N	Long position	780,380,000

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

As at 31 December 2015, the following interests and short positions of 5% or more in the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

REPORT OF THE DIRECTORS

LONG POSITIONS IN SHARES OF THE COMPANY:

Name	*Notes*	Number of shares in which interested	Nature of interest	Total number of shares	Percentage of the Company's issued share capital
Data Dreamland Holding Limited ("Data Dreamland")	*1*	881,962,496	Beneficial owner	881,962,496	20.25
Barrie Bay Limited ("Barrie Bay")	*2*	881,962,496	Interest of controlled corporation	881,962,496	20.25
HSBC International Trustee Limited ("HSBC Trustee")	*2*	882,962,496	Trustee	882,962,496	20.28
Ms. YANG Xiao	*1*	882,382,496	Spouse interest	882,382,496	20.26

Notes:

1. The entire issued share capital of Data Dreamland is held by Barrie Bay. Barrie Bay is acting as the trustee of the Barrie Bay Trust. The Barrie Bay Unit Trust is a unit trust held by HSBC Trustee, which is acting as the trustee of the Barrie Bay Unit Trust. The Barrie Bay Unit Trust is a discretionary trust set up by Mr. GUO and Ms. YANG and the discretionary objects of which include the children of Mr. GUO and Ms. YANG. Ms. YANG is also deemed to be interested in 420,000 shares held by Wintech Consultants Limited, which are deemed to be interested by Mr. Guo, the spouse of Ms. YANG.

2. The 881,962,496 shares were held by Data Dreamland, the entire share capital of which is held by Barrie Bay, which is acting as the trustee of the Barrie Bay Unit Trust and the entire issued share capital of which is held by HSBC Trustee. The rest 1,000,000 shares were held by HSBC Trustee privately as the trustee.

Save as disclosed above, as at 31 December 2015, so far as the Directors are aware, there are no other persons, other than the Directors and chief executive of the Company, who had interests or short positions in the shares, underlying shares or debentures of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and are required to be recorded in the register required to be kept pursuant to Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

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. Further details of the Scheme are disclosed in note 33 to the financial statements.

REPORT OF THE DIRECTORS

The following table discloses movements in the Company's share options outstanding during the year:

Name or category of participant	Number of share options: At 1 January 2015	Grant during the period	Exercised during the period	Expired during the period	Forfeited during the period	At 31 December 2015	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$ per share
Employees									
In aggregate – granted on 20 May 2008	1,888,000	–	1,888,000	–	–	–	20-05-08	20-05-11 to 19-05-15	0.337
In aggregate – granted on 20 May 2008	6,184,000	–	1,220,000	–	600,000	4,364,000	20-05-08	20-05-14 to 19-05-18	0.337
In aggregate – granted on 30 Jun 2010	8,964,000	–	8,324,000	640,000	–	–	28-06-10	28-06-11 to 27-06-15	1.620
In aggregate – granted on 30 Jun 2010	14,000,000	–	4,764,000	–	352,000	8,884,000	28-06-10	28-06-12 to 27-06-16	1.620
In aggregate – granted on 30 Jun 2010	18,768,000	–	3,872,000	–	608,000	14,288,000	28-06-10	28-06-13 to 27-06-17	1.620
In aggregate – granted on 30 Jun 2010	15,000,000	–	1,496,000	–	–	13,504,000	28-06-10	28-06-14 to 27-06-18	1.620
In aggregate – granted on 12 July 2011	26,124,800	–	12,112,000	–	2,624,000	11,388,800	12-07-11	12-07-12 to 11-07-16	0.839
In aggregate – granted on 12 July 2011	432,000	–	96,000	–	–	336,000	12-07-11	12-07-14 to 11-07-18	0.839
In aggregate – granted on 27 Dec 2012	57,696,000	–	18,226,000	–	8,258,000	31,212,000	27-12-12	27-12-13 to 27-12-17	1.164
In aggregate – granted on 27 Dec 2012	5,952,000	–	–	–	–	5,952,000	27-12-12	27-12-15 to 27-12-19	1.164
In aggregate – granted on 10 Jan 2014	54,136,000	–	7,368,000	–	6,408,000	40,360,000	10-01-14	10-01-15 to 10-01-19	1.540
In aggregate – granted on 10 Jan 2014	2,000,000	–	–	–	–	2,000,000	10-01-14	10-01-17 to 10-01-21	1.540
In aggregate – granted on 22 Jan 2015	–	78,832,000	–	–	11,088,000	67,744,000	22-01-15	22-01-16 to 22-01-20	1.492
In aggregate – granted on 22 Jan 2015	–	12,032,000	–	–	1,600,000	10,432,000	22-01-15	22-01-17 to 22-01-21	1.492
In aggregate – granted on 16 Oct 2015	–	88,832,000	–	–	6,000,000	82,832,000	16-10-15	16-10-16 to 16-10-20	1.620
In aggregate – granted on 16 Oct 2015	–	76,000,000	–	–	–	76,000,000	16-10-15	16-10-17 to 16-10-21	1.620
Directors									
In aggregate – granted on 27 Feb 2009	6,000,000	–	–	–	–	6,000,000	27-02-09	27-02-13 to 26-02-17	0.199
In aggregate – granted on 30 Jun 2010	8,000,000	–	–	–	–	8,000,000	28-06-10	28-06-14 to 27-06-18	1.620
In aggregate – granted on 12 July 2011	2,800,000	–	–	–	–	2,800,000	12-07-11	12-07-12 to 11-07-16	0.839
In aggregate – granted on 27 Dec 2012	4,000,000	–	–	–	–	4,000,000	27-12-12	27-12-15 to 27-12-19	1.164
In aggregate – granted on 16 Oct 2015	–	46,000,000	–	–	–	46,000,000	16-10-15	16-10-17 to 16-10-21	1.620
Subtotal	231,944,800	301,696,000	59,366,000	640,000	37,538,000	436,096,800			
Total	231,944,800	301,696,000	59,366,000	640,000	37,538,000	436,096,800			

Notes to the reconciliation of share options outstanding during the year:

* The vesting period of the share options is from the date of grant until the commencement of the exercise period.

** The exercise price of a share option is the amount that the employee is required to pay to obtain each share under the option.

REPORT OF THE DIRECTORS

AUDIT COMMITTEE

The Audit Committee, which currently comprises three independent non-executive Directors, has reviewed the accounting principles and practices adopted by the Company and has discussed auditing, internal control and financial reporting matters. The Audit Committee has reviewed the Group's annual results for the year ended 31 December 2015.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

As at 31 December 2015, so far as the Directors were aware, the following Directors (not being independent non-executive Directors) were considered to have interests in businesses apart from the Group's businesses which compete, or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to Rule 8.10 of the Listing Rules as set out below:

As at 31 December 2015, Mr. JIA Yueting, the executive Director, is a shareholder and director of Beijing Baile Culture Communication Co., Ltd. (北京百樂文化傳媒有限公司), which is a holding company with subsidiaries principally engaged in mobile phone and therefore, Mr. JIA Yueting is considered to have interest in the business which competes or is likely compete, either directly or indirectly, with the mobile phone businesses of the Group ("Businesses") pursuant to the Listing Rules.

Although Mr. JIA Yueting have competing interests in other companies, he will fulfill his fiduciary duties in order to ensure that he will act in the best interest of the shareholders of the Company and the Group as a whole at all times.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or any of their respective associates had any interest in any business which competes or likely to compete, either directly or indirectly, with the Businesses.

MATERIAL LEGAL PROCEEDINGS

During the year under review, the Company was not involved in any material litigation or arbitration and no material litigation or claim was pending or threatened or made against the Company as far as the Board was aware of.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the percentage of shares of the Company in public hands is in compliance with the prescribed level of the minimum public float as set out in Rule 8.08 of the Listing Rules.

FOREIGN EXCHANGE EXPOSURE

The Group has transactional currency exposures. Such exposures arise from sales and purchases by operating units in currencies other than the units' functional currencies, where the receivables and payables are denominated in USD and EUR. The Group is exposed to foreign exchange risk with respect mainly to USD and EUR which may affect the Group's performance and asset value. The Group has not entered into any derivative contracts to hedge against the risk in the year 2015.

REPORT OF THE DIRECTORS

EMPLOYEES AND REMUNERATION POLICY

During the year ended 31 December 2015, the Group's staff costs (including directors' remuneration) amounted to approximately HK$896.4 million (2014: HK$1,165.6 million). The remuneration of the Group's employees was commensurate with their responsibilities and market rates, with discretionary bonuses and training given on a merit basis. As of 31 December 2015, the Group had 5,634 employees (2014: 6,205 employees).

SIGNIFICANT INVESTMENTS

There were no significant investments held by the Group as at 31 December 2015.

MATERIAL ACQUISITIONS AND DISPOSAL

On 16 December 2014, the Group entered into a Share Subscription Agreement with Tech Time, a company incorporated in the British Virgin Islands (the "BVI") with limited liability and a wholly-owned subsidiary of Qihoo 360 Technology Co., Ltd. ("Qihoo"), to allot certain shares of Coolpad E-commerce to Tech Time at a consideration of US$409,050,000 (equivalent to HK$3,170,187,000) (the "First Transaction"). Upon completion of the First Transaction on 23 April 2015, the Group and Tech Time held 55% and 45% equity interests of Coolpad E-commerce therein, respectively.

On 25 May 2015, the Group entered into an equity transfer agreement with Tech Time to transfer 4.5% of its equity interest in Coolpad E-commerce to Tech Time for a consideration of US$45,000,000 (equivalent to HK$348,867,000) (the "Second Transaction"). Upon completion of the Second Transaction on 29 May 2015, the Group's equity interest in Coolpad E-commerce was reduced from 55% to 50.5%.

On 18 September 2015, the Company entered into the Share Adjustment Agreement with Tech Time and Coolpad E-commerce, pursuant to which, among others, Coolpad E-commerce agreed to repurchase 6,800 shares (after the proposed share split in Share Adjustment Agreement) of Coolpad E-commerce held by the Company, representing a 25.5% equity interest (the "Disposal Interest") therein. As a consideration for the repurchase, Coolpad E-commerce would transfer certain intellectual property items to the Group so as to allow the Group to regain full control of the operation of its internet related business. The Share Adjustment Agreement was subject to the necessary approvals from all parties' board of directors, shareholders and the relevant regulatory authorities. On 23 February 2016, the Company announced that the Share Adjustment Agreement was approved by the shareholders of the Company. The completion of the Share Adjustment Agreement would expect to take place within 2 months after the shareholders' approval. Up to the date of this report, certain statutory procedures for the purpose of giving effect of the Share Adjustment Agreement had not yet been completed.

Save as stated above, the Company and its subsidiaries had no other material acquisition and disposal transactions during the year under review.

REPORT OF THE DIRECTORS

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2015. The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other disclosures required under the Listing Rules and other statutory and regulatory requirements.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events of the Group after the reporting period are set out in note 43 to the financial statements.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
Coolpad Group Limited

Guo Deying
Chairman, Executive Director and Chief Executive Officer

23 March 2016, Hong Kong

INDEPENDENT AUDITORS' REPORT

To the members of Coolpad Group Limited

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Coolpad Group Limited (the "Company") and its subsidiaries set out on pages 44 to 140, 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.

INDEPENDENT AUDITORS' REPORT

To the members of Coolpad Group Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

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

Ernst & Young
Certified Public Accountants

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

23 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2015

	Notes	**2015 HK$'000**	2014 HK$'000
REVENUE	*5*	**14,667,866**	24,900,471
Cost of sales		**(13,079,059)**	(21,885,012)
Gross profit		**1,588,807**	3,015,459
Other income and gains	*5*	**472,999**	431,680
Gain on the loss of control of a subsidiary	*5*	**2,635,391**	–
Selling and distribution expenses		**(958,838)**	(1,434,843)
Administrative expenses		**(970,297)**	(1,233,857)
Other expenses		**(168,581)**	(83,759)
Finance costs	*7*	**(103,319)**	(87,269)
Share of profits and losses of:			
Joint ventures		**(184,491)**	(297)
Associates		**(660)**	(485)
PROFIT BEFORE TAX	*6*	**2,311,011**	606,629
Income tax expense	*10*	**(34,505)**	(92,551)
PROFIT FOR THE YEAR		**2,276,506**	514,078
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Available-for-sale investments:			
Changes in fair value		**(377)**	(1,889)
Exchange differences on translation of foreign operations		**(196,905)**	(5,537)
Share of other comprehensive loss of a joint venture		**(55,318)**	–
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**(252,600)**	(7,426)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Gain on property revaluation	*13*	**28,999**	28,368
Income tax effect	*31*	**(3,220)**	(4,729)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		**25,779**	23,639
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(226,821)**	16,213
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**2,049,685**	530,291

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
Profit or loss attributable to:			
Owners of the Company		**2,324,518**	512,855
Non-controlling interests		**(48,012)**	1,223
		2,276,506	514,078
Total comprehensive income attributable to:			
Owners of the Company		**2,106,449**	526,648
Non-controlling interests		**(56,764)**	3,643
		2,049,685	530,291
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*12*		
Basic		**HK53.66 cents**	HK11.94 cents
Diluted		**HK52.68 cents**	HK11.69 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**1,001,136**	906,006
Investment properties	14	**110,011**	113,029
Prepaid land lease payments	15	**436,038**	268,231
Intangible assets	16	**102,945**	113,486
Investments in joint ventures	17	**3,748,371**	4,891
Investments in associates	18	**197,759**	58,500
Available-for-sale investments	19	**36,916**	56,152
Long-term loan receivables	23	**37,046**	–
Other non-current assets	24	**45,106**	86,671
Deferred tax assets	31	**30,000**	18,620
Total non-current assets		**5,745,328**	1,625,586
CURRENT ASSETS			
Inventories	20	**1,686,570**	2,797,660
Trade receivables	21	**1,619,599**	3,019,063
Bills receivable	22	**129,345**	553,099
Short-term loans receivable	23	**995,513**	290,768
Prepayments, deposits and other receivables	24	**979,157**	957,108
Due from a director	25	**3,282**	–
Due from a joint venture	17	**195,051**	–
Pledged deposits	26	**413,488**	641,659
Cash and cash equivalents	26	**2,515,974**	2,959,143
Total current assets		**8,537,979**	11,218,500
CURRENT LIABILITIES			
Trade payables	27	**1,916,195**	2,117,840
Bills payable	28	**1,351,701**	2,179,404
Other payables and accruals	29	**2,081,268**	2,853,419
Interest-bearing bank and other borrowings	30	**1,205,263**	547,798
Due to an associate	18	**706**	3,830
Due to a joint venture	17	**2,359**	–
Tax payable		**84,004**	77,470
Total current liabilities		**6,641,496**	7,779,761
NET CURRENT ASSETS		**1,896,483**	3,438,739
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,641,811**	5,064,325

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,641,811**	5,064,325
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*30*	**155,519**	1,615,624
Deferred tax liabilities	*31*	**53,255**	54,839
Other non-current liabilities		**16,342**	33,946
Total non-current liabilities		**225,116**	1,704,409
Net assets		**7,416,695**	3,359,916
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*32*	**43,544**	42,950
Reserves		**7,283,171**	3,310,371
		7,326,715	3,353,321
Non-controlling interests		**89,980**	6,595
Total equity		**7,416,695**	3,359,916

Guo Deying
Director

Jiang Chao
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

		Attributable to owners				
	Notes	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000	Asset revaluation reserve HK$'000	Available-for-sale investment revaluation reserve HK$'000
At 1 January 2015		**42,950**	**414,832**	**390**	**105,394**	**(1,889)**
Profit/(loss) for the year		–	–	–	–	–
Other comprehensive income for the year:						
Gain on property revaluation, net of tax		–	–	–	**25,779**	–
Change in fair value of available-for-sale investments, net of tax		–	–	–	–	**(377)**
Exchange differences on translation of foreign operations		–	–	–	–	–
Share of other comprehensive loss of a joint venture	*17*	–	–	–	–	–
Total comprehensive income for the year		–	–	–	**25,779**	**(377)**
Issue of shares upon exercise of share options	*32*	**594**	**101,499**	–	–	–
Equity-settled share option arrangements	*33*	–	–	–	–	–
Appropriation to statutory reserve		–	–	–	–	–
Capital contribution by non-controlling interests		–	–	–	–	–
Partial disposal of interest in a subsidiary without loss of control	*17*	–	–	–	–	–
Disposal of a subsidiary	*35*	–	–	–	–	–
At 31 December 2015		**43,544**	**516,331***	**390***	**131,173***	**(2,266)***

* These reserve accounts comprise the consolidated reserves of HK$7,283,171,000 (2014: HK$3,310,371,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

of the Company									
Statutory reserve HK$'000	Share option reserve HK$'000	Share award reserve HK$'000	Capital redemption reserve HK$'000	Other reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
160,023	100,918	43,564	1,870	–	268,044	2,217,225	3,353,321	6,595	3,359,916
–	–	–	–	–	–	2,324,518	2,324,518	(48,012)	2,276,506
–	–	–	–	–	–	–	25,779	–	25,779
–	–	–	–	–	–	–	(377)	–	(377)
–	–	–	–	–	(188,153)	–	(188,153)	(8,752)	(196,905)
–	–	–	–	–	(55,318)	–	(55,318)	–	(55,318)
–	–	–	–	–	(243,471)	2,324,518	2,106,449	(56,764)	2,049,685
–	(28,342)	–	–	–	–	–	73,751	–	73,751
–	49,591	–	–	–	–	–	49,591	–	49,591
28,459	–	–	–	–	–	(28,459)	–	–	–
–	–	–	–	–	–	–	–	122,889	122,889
–	–	–	–	1,743,603	–	–	1,743,603	1,426,584	3,170,187
–	–	–	–	–	–	–	–	(1,409,324)	(1,409,324)
188,482*	122,167*	43,564*	1,870*	1,743,603*	24,573*	4,513,284*	7,326,715	89,980	7,416,695

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

		Attributable to owners				
	Notes	Issued capital HK$'000	Share premium account HK$'000	Shares held for the Share Award Plan HK$'000	Contributed surplus HK$'000	Asset revaluation reserve HK$'000
At 1 January 2014		21,107	375,136	(240)	390	81,755
Profit for the year		–	–	–	–	–
Other comprehensive income/(loss) for the year:						
Gain on property revaluation, net of tax		–	–	–	–	23,639
Change in fair value of available-for-sale investments, net of tax		–	–	–	–	–
Exchange differences on translation of foreign operations		–	–	–	–	–
Total comprehensive income/(loss) for the year		–	–	–	–	23,639
Issue of bonus shares		21,347	(21,347)	–	–	–
Interim 2014 dividend declared and paid		–	(42,914)	–	–	–
Issue of shares upon exercise of share options	32	496	103,957	–	–	–
Shares awarded under the Share Award Plan	34	–	–	240	–	–
Equity-settled share option arrangements	33	–	–	–	–	–
Appropriation to statutory reserve		–	–	–	–	–
At 31 December 2014		42,950	414,832	–	390	105,394

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

of the Company									
Available-for-sale investment revaluation reserve HK$'000	Statutory reserve HK$'000	Share option reserve HK$'000	Share award reserve HK$'000	Capital redemption reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
–	126,531	95,743	41,787	1,870	276,001	1,737,862	2,757,942	2,952	2,760,894
–	–	–	–	–	–	512,855	512,855	1,223	514,078
–	–	–	–	–	–	–	23,639	–	23,639
(1,889)	–	–	–	–	–	–	(1,889)	–	(1,889)
–	–	–	–	–	(7,957)	–	(7,957)	2,420	(5,537)
(1,889)	–	–	–	–	(7,957)	512,855	526,648	3,643	530,291
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	(42,914)	–	(42,914)
–	–	(32,079)	–	–	–	–	72,374	–	72,374
–	–	–	1,777	–	–	–	2,017	–	2,017
–	–	37,254	–	–	–	–	37,254	–	37,254
–	33,492	–	–	–	–	(33,492)	–	–	–
(1,889)	160,023	100,918	43,564	1,870	268,044	2,217,225	3,353,321	6,595	3,359,916

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		**2,311,011**	606,629
Adjustments for:			
Bank interest income	*5*	**(103,108)**	(94,164)
Finance costs	*7*	**103,319**	87,269
Share of losses of joint ventures		**184,491**	297
Elimination of unrealised profits on the transaction with a joint venture	*17*	**25,741**	–
Share of profits and losses of associates	*18*	**660**	485
Depreciation	*6*	**88,015**	70,829
Changes in fair value of investment properties	*5*	**(3,734)**	(1,724)
Amortisation of patents, licences and computer software	*6*	**6,280**	38,538
Amortisation of product development costs	*6*	**65,131**	94,209
Amortisation of prepaid land lease payments	*6*	**7,658**	3,594
Loss on disposal of a piece of land	*6*	**–**	1,876
Gain on disposal of items of property, plant and equipment	*5*	**(1,118)**	(152)
Gain on the loss of control of a subsidiary	*5*	**(2,635,391)**	–
Impairment/(reversal of impairment) of trade receivables	*6*	**12,840**	(4,361)
Write-down of inventories to net realisable value	*6*	**198,519**	190,611
Impairment of an unlisted available-for-sale investment	*19*	**16,169**	–
Equity-settled share option expense	*6*	**49,591**	37,254
Equity-settled share award plan expense	*6*	**–**	2,017
		326,074	1,033,207
Decrease/(increase) in inventories		**741,545**	(362,982)
Increase in loans receivable		**(791,269)**	(289,658)
Decrease in trade receivables		**1,360,319**	27,224
Decrease/(increase) in bills receivable		**406,604**	(343,266)
Increase in prepayments, deposits and other receivables		**(9,744)**	(272,229)
(Increase)/decrease in other non-current assets		**(2,842)**	4,766
(Increase)/decrease in an amount due from a director		**(3,314)**	53
Increase in amounts due to joint ventures		**70,501**	–
(Decrease)/increase in trade payables		**(174,093)**	221,726
Decrease in bills payable		**(805,424)**	(557,491)
(Decrease)/increase in other payables and accruals		**(707,873)**	787,434
Decrease in an amount due to an associate		**(3,101)**	(3,004)
Decrease in other non-current liabilities		**(17,303)**	(8,083)
Cash generated from operations		**390,080**	237,697
Tax paid		**(41,920)**	(94,844)
Net cash flows from operating activities		**348,160**	142,853

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Net cash flows from operating activities		**348,160**	142,853
CASH FLOWS FROM INVESTING ACTIVITIES			
Bank interest received		**103,108**	94,164
Purchases of items of property, plant and equipment		**(139,409)**	(249,417)
Proceeds from disposal of items of property, plant and equipment		**4,932**	1,979
Proceeds from partial disposal of interest in a subsidiary without loss of control	*17*	**3,170,187**	–
Net outflow of cash in respect of the disposal of a subsidiary	*35*	**(866,635)**	–
Decrease in an amount due to a joint venture		**(2,048,372)**	–
Additions to product development costs	*16*	**(67,328)**	(68,769)
Additions to patents and licenses	*16*	**–**	(4,749)
Additions to prepaid land lease payments		**(255,308)**	(106,721)
Additional investments in associates		**(149,446)**	(5,304)
Purchases of available-for-sale investments		**(918)**	(34,108)
Withdrawal of available-for-sale investments		**1,188**	4,946
Cash transferred to restricted bank deposits		**(1,848,391)**	(2,591,033)
Cash transferred from restricted bank deposits		**2,047,698**	2,646,036
Net cash used in investing activities		**(48,694)**	(312,976)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of ordinary shares	*32(b)*	**73,751**	72,374
Contribution from non-controlling interests		**122,889**	–
New bank and other loans		**5,946,662**	8,270,306
Repayment of bank and other loans		**(6,777,090)**	(6,680,297)
Interest paid		**(75,524)**	(118,000)
Dividends paid		**–**	(42,914)
Net cash flows (used in)/generated from financing activities		**(709,312)**	1,501,469
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(409,846)**	1,331,346
Cash and cash equivalents at beginning of year		**2,959,143**	1,628,266
Effect of foreign exchange rate changes, net		**(33,323)**	(469)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**2,515,974**	2,959,143
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*26*	**2,515,974**	2,959,143

NOTES TO FINANCIAL STATEMENTS

31 December 2015

1. CORPORATE AND GROUP INFORMATION

Coolpad Group Limited is a limited liability company incorporated in the Cayman Islands. The registered address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, the Cayman Islands.

The Company and its subsidiaries (collectively referred to as the "Group") is a wireless solution and equipment provider in Mainland China. During the year, the Group continued to focus on the production and sale of smartphones, the provision of wireless application service and finance service.

INFORMATION ABOUT SUBSIDIARIES

Particulars of the Company's subsidiaries are as follows:

Company	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Yulong Infotech Inc.	BVI/ Mainland China	US$50,000	100	–	Investment holding
Digital Tech Inc.	BVI/ Mainland China	US$10	100	–	Investment holding
Yulong Computer Telecommunication Scientific (Shenzhen) Co., Ltd. ("Yulong Shenzhen")*	PRC/ Mainland China	RMB503,000,000	–	100	Sale of mobile phones
Coolpad Software Tech (Shenzhen) Co., Ltd. ("Shenzhen Coolpad")*	PRC/ Mainland China	HK$10,000,000	–	100	Provision of product design and software development for mobile handsets
Dongguan Yulong Telecommunication Tech Co., Ltd. ("Dongguan Yulong")**	PRC/ Mainland China	RMB120,000,000	–	100	Manufacture of mobile phones
Xi'an Coolpad Software Tech Co., Ltd. ("Xi'an Coolpad")**	PRC/ Mainland China	RMB8,000,000	–	100	Provision of product design and software development for mobile handsets

NOTES TO FINANCIAL STATEMENTS

31 December 2015

1. CORPORATE AND GROUP INFORMATION (continued)

INFORMATION ABOUT SUBSIDIARIES (continued)

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

Company	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Coolpad Overseas Limited	Hong Kong	US$1,550,000	–	60	Sale of mobile phones
Coolpad Technologies Inc.	United States	US$2,300,000	–	100	Sale of mobile phones
Shenzhen Coolpad Technologies Co., Ltd. ("SZ Coolpad Technologies")**	PRC/ Mainland China	RMB100,000,000	–	100	Provision of product design and software development for mobile handsets
Coolpad France	France	EUR197,000	–	100	Sale of mobile phones
Yulong Technologies (Hong Kong) Co., Limited	Hong Kong	US$1,000,000	–	100	Sale of mobile phones
China Wireless Technologies Limited	Cayman Islands	US$50,000	–	100	Investment holding
China Wireless Technologies Limited	Hong Kong	HK$1,000	–	100	Investment holding
Xi'an Coolpad Telecommunications Equipment Co., Ltd.**	PRC/ Mainland China	RMB300,000,000	–	100	Production of mobile phones
Nanjing Coolpad Software Tech Co., Ltd. ("Nanjing Coolpad")**	PRC/ Mainland China	RMB100,000,000	–	100	Provision of product design and software development for mobile handsets
Shenzhen Huiying Finance Co., Ltd. ("Huiying")	PRC/ Mainland China	RMB300,000,000	–	100	Provision of micro-credit financing service

NOTES TO FINANCIAL STATEMENTS

31 December 2015

1. CORPORATE AND GROUP INFORMATION (continued)

INFORMATION ABOUT SUBSIDIARIES (continued)

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

Company	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Shenzhen Coolpad Mobile Tech Co., Ltd. **	PRC/ Mainland China	RMB300,000,000	–	60	Sale of mobile phones
Coolpad Telecommunication Scientific (Zhengzhou) Co., Ltd. ("Coolpad Telecommunication Zhengzhou") *	PRC/ Mainland China	HK$50,000,000	–	100	Provision of product design and software development, manufacture and sale of mobile phones
Zhengzhou Coolpad Software Tech Co., Ltd. ("Zhengzhou Coolpad Software")**	PRC/ Mainland China	RMB100,000,000	–	100	Provision of product design and software development for mobile handsets
Zhengzhou Yulong Investment Management Co., Ltd. **	PRC/ Mainland China	RMB50,000,000	–	60	Investment holding and property development
Nanjing Yulong Investment Management Co., Ltd. **	PRC/ Mainland China	RMB100,000,000	–	60	Investment holding and property development
Zhengzhou Coolpad Properties Co., Ltd. **	PRC/ Mainland China	RMB10,000,000	–	60	Investment holding and property development
Dongguan Coolpad Software Tech Co., Ltd. ("Dongguan Coolpad Software")**	PRC/ Mainland China	RMB100,000,000	–	100	Provision of product design and software development for mobile handsets
Nanchang IVVI Software Tech Co., Ltd. #	PRC/ Mainland China	RMB300,000,000	–	100	Sale of mobile phones
IVVI Scientific (Nanchang) Co., Ltd. #	PRC/ Mainland China	RMB50,000,000	–	100	Provision of product design and software development for mobile handsets

NOTES TO FINANCIAL STATEMENTS

31 December 2015

1. CORPORATE AND GROUP INFORMATION (continued)

INFORMATION ABOUT SUBSIDIARIES (continued)

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

Company	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Shenzhen Huihengying Investment Management Co., Ltd #	PRC/ Mainland China	RMB500,000	–	100	Investment holding
Shenzhen Juhechengzhang Investment Partnership Co., Ltd. ("Shenzhen Juhechengzhang") **/#	PRC/ Mainland China	RMB10,000,000	–	51	Investment holding

* The subsidiaries were registered as wholly-owned foreign enterprises under the PRC law.

** The subsidiaries were registered as co-operative joint ventures under the PRC law.

Newly set up in 2015

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 ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, certain buildings classified as property, plant and equipment and certain available-for-sale investments 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 Group for the year ended 31 December 2015. A subsidiary is an 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.1 BASIS OF PREPARATION (continued)

BASIS OF CONSOLIDATION (continued)

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 Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 the accounting policy for subsidiaries above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

In addition, the Company has adopted the amendments to the Listing Rules issued by 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 9	*Financial Instruments*[3]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[6]
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*[5]
HKFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to HKAS 1	*Disclosure Initiative*[1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	*Amendments to numbers of HKFRSs*[1]
Amendments to HKAS 7	*Statement of Cash Flows*[2]
Amendments to HKAS 12	*Income Taxes*[2]
HKFRS 16	*Leases*[4]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2017
3 Effective for annual periods beginning on or after 1 January 2018
4 Effective for annual periods beginning on or after 1 January 2019
5 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
6 Effective for annual periods beginning on or after 1 January 2019

The Group has commenced an assessment of the impact of these new and revised HKFRSs, but is not yet in a position to state whether they would have a significant impact on its results of operations and financial positions.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

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 dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures are included in the consolidated statement of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associates or the joint ventures, 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 the 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FAIR VALUE MEASUREMENT

The Group measures its investment properties, certain buildings classified as property, plant and equipment and certain available-for-sale investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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.

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IMPAIRMENT OF NON-FINANCIAL ASSETS

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, investment properties and certain buildings classified as property, plant and equipment), 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, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued 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 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 and other comprehensive income in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

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.

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant and equipment, other than construction in progress, are stated at cost or valuation 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION (continued)

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated statement of profit or loss and other comprehensive income 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.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the consolidated statement of profit or loss and other comprehensive income. Any subsequent revaluation surplus is credited to the consolidated statement of profit or loss and other comprehensive income to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of the previous valuations is transferred to retained profits as a movement in reserves.

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

Buildings	4.5%
Leasehold improvements	Over the shorter of the lease terms and 20%
Furniture, fixtures and equipment	18% to 30%
Motor vehicles	18%

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

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated statement of profit or loss and other comprehensive income 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 mainly represents buildings and manufacturing plant under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENT PROPERTIES

Investment properties are interests in buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

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

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use.

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.

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.

Product development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five years, commencing from the date when the products are put into commercial production.

Patents and licences

Purchased patents and licences are stated at cost less impairment losses and are amortised on the straight-line basis over their estimated useful lives ranging from three to five years.

Computer software

Purchased computer software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 10 years.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

OPERATING LEASES

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

INVESTMENTS AND OTHER FINANCIAL ASSETS

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

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

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

Available-for-sale financial investment

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENTS AND OTHER FINANCIAL ASSETS (continued)

Available-for-sale financial investment (continued)

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

DERECOGNITION OF FINANCIAL ASSETS

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

- the rights to receive cash flows from the asset have expired; or

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

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

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

IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IMPAIRMENT OF FINANCIAL ASSETS (continued)

Financial assets carried at amortised cost (continued)

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 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 amount. If a write-off is later recovered, the recovery is credited to other expenses in profit or loss.

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, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IMPAIRMENT OF FINANCIAL ASSETS (continued)

Available-for-sale financial investments (continued)

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 cost.

FINANCIAL LIABILITIES

Initial recognition and measurement

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

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

The Group's financial liabilities include trade and bills payables, other payables and accruals, interest-bearing bank and other borrowings and an amount due to an associate.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL LIABILITIES (continued)

Loans and borrowings

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

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

DERECOGNITION OF FINANCIAL LIABILITIES

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

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

OFFSETTING OF FINANCIAL INSTRUMENTS

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

INVENTORIES

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

CASH AND CASH EQUIVALENTS

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 the consolidated statement of profit or loss and other comprehensive income.

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

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

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

- when the deferred tax liability arises from the initial recognition of 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INCOME TAX (continued)

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

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

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

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

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

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

GOVERNMENT GRANTS AND SUBSIDIES

Grants and subsidies are recognised at their fair value where there is reasonable assurance that the grants or subsidies will be received and all attaching conditions will be complied with. When the grant or subsidy 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 or subsidy relates to an asset, the fair value is credited to a deferred income account and is released to the consolidated statement of profit or loss and other comprehensive income over the expected useful life of the relevant asset by equal annual instalments.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

GOVERNMENT GRANTS AND SUBSIDIES (continued)

Where the Group receives government loans granted with no or at a below-market rate of interest for the construction of a qualifying asset, the initial carrying amount of the government loans is determined using the effective interest rate method, as further explained in the accounting policy for "Financial liabilities" above. The benefit of the government loans granted with no or at a below-market rate of interest, which is the difference between the initial carrying value of the loans and the proceeds received, is treated as a government grant and released to the consolidated statement of profit or loss and other comprehensive income 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 sales 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) service income is derived principally from the installation of mobile phone applications, which is recognised in the period in which the service is performed, provided that no significant obligations remain with the Group and the collection of the receivables is reasonably assured;

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

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

SHARE-BASED PAYMENTS

The Company operates a share option scheme and a share award plan 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").

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. For grant of share options, the fair value is determined by an external valuer using a binomial model. For grant of award shares, the fair value is determined by the market price of the Company's shares at the grant date.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

SHARE-BASED PAYMENTS (continued)

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

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

OTHER EMPLOYEE BENEFITS

Pension scheme

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

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

BORROWING COSTS

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

DIVIDENDS

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2015

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 prevailing 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 currency of the subsidiaries in Mainland China is Renminbi ("RMB"). As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at exchange rates prevailing at the end of the reporting period and the consolidated statement of profit or loss and other comprehensive income are translated into Hong Kong dollars at the weighted average exchange rate 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.

For the purpose of the consolidated statement of cash flows, the cash flows of the subsidiaries in Mainland China are translated into Hong Kong dollars at the exchange rates prevailing at the dates of the cash flows. Frequently recurring cash flows of the subsidiaries in Mainland China which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rate for the year.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

JUDGEMENTS

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

Operating lease commitments – Group as lessor

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

Classification between investment properties and owner-occupied properties

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

Income tax

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

Deferred tax liabilities have been established for withholding tax that would be payable on certain profits of the subsidiaries in the PRC to be repatriated and distributed by way of dividends as the directors consider that the timing of the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future. If these undistributed earnings of subsidiaries in the PRC are considered to be repatriated and distributed by way of dividends, the deferred tax charge and deferred tax liabilities would have been increased by the same amount of approximately HK$357,756,000 (2014: HK$359,872,000) (note 31).

NOTES TO FINANCIAL STATEMENTS

31 December 2015

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

JUDGEMENTS (continued)

Investment properties

The Group's investment properties at fair value are all held to earn rental income and/or for capital appreciation and they are considered to be held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Accordingly, deferred tax on the Group's investment properties at fair value is measured to reflect the tax consequences of recovering the carrying amounts of the investment properties through use.

Loss of control over a former subsidiary

As stated in note 17 to the financial statements, the Group entered into several equity disposal transactions with an independent party, as a result of which, the Group lost its control over a former subsidiary. In the view of management, terms and conditions of each equity transaction were contemplated individually taking into the account the then circumstances surrounding the market and in the best interest of the shareholders. Each transaction itself was economically justified. As such, those equity transactions were accounted for as a separate transaction as part of the transaction in which the loss of control occurred.

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.

Provision for product warranty

The Group provides one-year warranty on its products sold to its customers, under which faulty products are repaired or replaced. The amount of the warranty provision is estimated based on the 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. At 31 December 2015, the best estimate of the carrying amount of provision for product warranty was HK$43,941,000 (2014: HK$95,654,000) (note 29).

Development costs

Development costs are capitalised in accordance with the accounting policy for research and development costs in note 2.4 to the financial statements. Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. At 31 December 2015, the best estimate of the carrying amount of capitalised product development costs was HK$90,951,000 (2014: HK$94,353,000) (note 16).

NOTES TO FINANCIAL STATEMENTS

31 December 2015

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

ESTIMATION UNCERTAINTY (continued)

Write-down of inventories to net realisable value

Write-down of inventories to net realisable value is made based on the estimated net realisable value of the inventories. The determination of the written-down amount involves management's judgement and estimates. Where the actual outcome or expectation in future is different from the original estimates, such differences will have an impact on the carrying amounts of inventories and the write-down/write-back in the period in which such estimate has been changed. At 31 December 2015, the carrying amount of inventories was approximately HK$1,686,570,000 (2014: HK$2,797,660,000) after netting off the allowance for inventories of approximately HK$304,529,000 (2014: HK$320,313,000).

Impairment of trade receivables

The provision policy for doubtful debts of the Group is based on the ongoing evaluation of the collectibility and ageing analysis of the outstanding receivables and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including creditworthiness and the past collection history of each customer. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment may be required. At 31 December 2015, the provision recognised for trade receivables was HK$19,250,000 (2014: HK$6,850,000) (note 21).

Deferred tax assets

Deferred tax assets are recognised for 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. The amount of accumulated unrecognised tax losses at 31 December 2015 was HK$307,529,000 (2014: HK$143,217,000). Further details are set out in note 31 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on its products and services and has three reportable operating segments as follows:

(a) the mobile phone segment engages in the research, development, production and sale of mobile phones and related accessories and provision of wireless application service;

(b) the property investment segment invests in properties for their rental income potential and/or for capital appreciation; and

(c) the finance service segment engages in the provision of a range of financing services in Mainland China.

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 or loss, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, share of profits and losses of associates and joint ventures and finance costs as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude investments in joint ventures, investments in associates, available-for-sale investments, deferred tax assets, an amount due from a director, an amount due from a joint venture, pledged deposits and cash and cash equivalents other than those used for finance service purpose as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, an amount due to an associate, an amount due to a joint venture, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2015

	Mobile phone HK$'000	Property investment HK$'000	Finance service HK$'000	Total HK$'000
Sales to external customers	14,640,758	–	27,108	14,667,866
Other revenue and gains	357,543	12,348	–	369,891
Total	14,998,301	12,348	27,108	15,037,757
Segment results	(150,383)	11,314	13,724	(125,345)
Reconciliation:				
Interest income				103,108
Share of loss of a joint venture				(184,491)
Share of loss of associates				(660)
Gain on the loss of control of a subsidiary				2,635,391
Corporate and other unallocated expenses				(13,673)
Finance costs				(103,319)
Profit before tax				2,311,011
Segment assets	5,938,514	111,685	1,092,267	7,142,466
Reconciliation:				
Investments in joint ventures				3,748,371
Investments in associates				197,759
Corporate and other unallocated assets				3,194,711
Total assets				14,283,307
Segment liabilities	5,517,663	1,246	1,311	5,520,220
Reconciliation:				
Corporate and other unallocated liabilities				1,346,392
Total liabilities				6,866,612
Other segment information:				
Write-down of inventories to net realisable value	198,519	–	–	198,519
Fair value gain on investment properties	–	3,734	–	3,734
Product warranty provision	76,241	–	–	76,241
Depreciation and amortisation	167,077	–	7	167,084
Capital expenditure*	480,357	–	–	480,357

* Capital expenditure consists of additions to property, plant and equipment, intangible assets and prepaid land lease payments.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2014

	Mobile phone HK$'000	Property investment HK$'000	Finance service HK$'000	Total HK$'000
Segment revenue:				
Sales to external customers	24,896,444	–	4,027	24,900,471
Other revenue and gains	329,384	8,132	–	337,516
Total	25,225,828	8,132	4,027	25,237,987
Segment results	536,133	7,363	4,321	547,817
Reconciliation:				
Interest income				94,164
Share of loss of a joint venture				(297)
Share of loss of associates				(485)
Corporate and other unallocated expenses				52,699
Finance costs				(87,269)
Profit before tax				606,629
Segment assets	8,601,470	113,892	389,759	9,105,121
Reconciliation:				
Investment in a joint venture				4,891
Investments in associates				58,500
Corporate and other unallocated assets				3,675,574
Total assets				12,844,086
Segment liabilities	6,273,519	1,329	5,963	6,280,811
Reconciliation:				
Corporate and other unallocated liabilities				3,203,359
Total liabilities				9,484,170
Other segment information:				
Write-down of inventories to net realisable value	190,611	–	–	190,611
Fair value gain on investment properties	–	1,724	–	1,724
Product warranty provision	130,901	–	–	130,901
Depreciation and amortisation	207,168	–	2	207,170
Capital expenditure*	473,505	–	–	473,505

* Capital expenditure consists of additions to property, plant and equipment, intangible assets and prepaid land lease payments.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

4. OPERATING SEGMENT INFORMATION (continued)

GEOGRAPHICAL INFORMATION

(a) *Revenue from external customers*

	2015 HK$'000	2014 HK$'000
Mainland China	**12,463,504**	23,341,725
Overseas	**2,204,362**	1,558,746
	14,667,866	24,900,471

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

(b) *Non-current assets*

	2015 HK$'000	2014 HK$'000
Mainland China	**5,670,190**	1,542,041
Overseas	**8,222**	8,773
	5,678,412	1,550,814

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

INFORMATION ABOUT MAJOR CUSTOMERS

During the year, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue (2014: Three).

NOTES TO FINANCIAL STATEMENTS

31 December 2015

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the invoiced value of goods sold, net of value-added tax ("VAT") and other sales taxes, after allowances for returns, sales incentives and trade discounts, service income received and receivable from the provision of wireless application service, and the finance service income from the provision of finance service.

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

	2015 HK$'000	2014 HK$'000
Revenue		
Sale of mobile phones and related accessories	**14,404,768**	24,547,301
Wireless application service income	**235,990**	349,143
Finance service income	**27,108**	4,027
	14,667,866	24,900,471
Other income		
Bank interest income	**103,108**	94,164
Government grants and subsidies*	**279,934**	297,009
Fair value gain on investment properties	**3,734**	1,724
Gain on disposal of items of property, plant and equipment	**1,118**	152
Gross rental income	**8,614**	6,408
Others	**76,491**	32,223
	472,999	431,680
Gains		
Gain on the loss of control of a subsidiary *(note 35)*	**2,635,391**	–
	3,108,390	431,680

* Government grants and subsidies represented refunds of VAT received from a tax bureau and grants received from certain finance bureaus to support certain of the Group's research and development activities. There are no unfulfilled conditions or contingencies relating to these grants and subsidies.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

6. PROFIT BEFORE TAX

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

	Notes	2015 HK$'000	2014 HK$'000
Cost of inventories sold		**12,880,540**	21,694,401
Depreciation		**88,015**	70,829
Amortisation of patents and licences and computer software*	*16*	**6,280**	38,538
Amortisation of prepaid land lease payments	*15*	**7,658**	3,594
Research and development costs*:			
Product development costs amortised	*16*	**65,131**	94,209
Current year expenditure		**523,273**	631,066
		588,404	725,275
Operating lease rental		**31,851**	40,985
Auditors' remuneration		**4,532**	3,536
Employee benefit expense (including directors' remuneration *(note 8)*):			
Wages and salaries		**726,534**	967,414
Staff welfare expenses		**56,377**	72,074
Pension scheme contributions (defined contribution scheme)		**63,879**	86,841
Equity-settled share option expense	*33*	**49,591**	37,254
Equity-settled share award plan expense	*34*	**–**	2,017
		896,381	1,165,600
Loss on disposal of a piece of land#		**–**	1,876
Impairment/(reversal of impairment) of trade receivables#	*21*	**12,840**	(4,361)
Impairment of an unlisted available-for-sale investments#	*19*	**16,169**	–
Write-down of inventories to net realisable value&		**198,519**	190,611
Direct operating expenses arising on rental-earning investment properties		**1,034**	769
Product warranty provision	*29*	**76,241**	130,901
Foreign exchange differences, net#		**137,076**	70,723

* Included in "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income

Included in "Other expenses" in the consolidated statement of profit or loss and other comprehensive income

& Included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income

NOTES TO FINANCIAL STATEMENTS

31 December 2015

7. FINANCE COSTS

	2015 HK$'000	2014 HK$'000
Interest on:		
Bank and other borrowings	**102,047**	84,503
Discounted bills receivable	**1,272**	2,766
	103,319	87,269

There were no capitalised interest expenses during the year (2014: Nil).

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 Benefits of Directors) Regulation, is as follows:

	2015 HK$'000	2014 HK$'000
Fees	**391**	416
Other emoluments:		
Salaries, allowances and benefits in kind	**12,033**	12,881
Performance related bonuses	**1,444**	3,064
Equity-settled share option expense	**3,463**	1,808
Equity-settled share award plan expense	**–**	2,017
Pension scheme contributions	**103**	108
	17,043	19,878
	17,434	20,294

During the year and in prior years, certain directors were granted options in respect of their services to the Group under the share option scheme of the Company, further details of which are set out in note 33 to the financial statements. The fair value of such options, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

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8. DIRECTORS' REMUNERATION (continued)

(A) INDEPENDENT NON-EXECUTIVE DIRECTORS

The fees paid to the Group's independent non-executive directors during the year were as follows:

	Fees	Equity-settled share option expense	Total remuneration
	HK$'000	HK$'000	HK$'000
2015			
Dr. HUANG Dazhan	**120**	**–**	**120**
Mr. XIE Weixin	**151**	**–**	**151**
Mr. CHAN King Chung	**120**	**–**	**120**
	391	**–**	**391**
2014			
Dr. HUANG Dazhan	120	–	120
Mr. XIE Weixin	151	–	151
Mr. CHAN King Chung	120	–	120
Mr. YANG Xianzu*	25	–	25
	416	–	416

* Resigned on 17 February 2014

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

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8. DIRECTORS' REMUNERATION (continued)

(B) EXECUTIVE DIRECTORS

	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2015					
Executive directors:					
Mr. GUO Deying	**5,228**	**–**	**–**	**32**	**5,260**
Mr. JIANG Chao	**2,987**	**563**	**–**	**31**	**3,581**
Mr. LI Wang*	**747**	**318**	**623**	**9**	**1,697**
Mr. LI Bin	**2,241**	**563**	**2,840**	**31**	**5,675**
Mr. Jia Yueting#	**415**	**–**	**–**	**–**	**415**
Mr. Liu Hong#	**415**	**–**	**–**	**–**	**415**
	12,033	**1,444**	**3,463**	**103**	**17,043**

	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Equity-settled share option expense HK$'000	Equity-settled share award plan expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2014						
Executive directors:						
Mr. GUO Deying	5,304	1,365	–	–	27	6,696
Mr. JIANG Chao	3,031	662	–	2,017	27	5,737
Mr. LI Wang*	2,273	429	591	–	27	3,320
Mr. LI Bin	2,273	608	1,217	–	27	4,125
	12,881	3,064	1,808	2,017	108	19,878

* Resigned on 18 January 2016

\# Appointed as executive directors on 17 August 2015

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2014: Nil).

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9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors (2014: four directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining two (2014: One) highest paid employees who are neither director nor chief executive of the Company are as follows:

	2015 **HK$'000**	2014 HK$'000
Salaries, allowances and benefits in kind	**2,388**	1,137
Performance related bonuses	**1,005**	–
Equity-settled share option expense	**1,752**	1,399
Pension scheme contributions	**38**	27
	5,183	2,563

10. INCOME TAX EXPENSE

The Company is a tax exempted company registered in the Cayman Islands and conducts substantially all of its businesses through its subsidiaries established in Mainland China (the "PRC Subsidiaries").

No provision for Hong Kong profits tax has been made (2014: Nil) as the Group did not generate any 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 in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2015 **HK$'000**	2014 HK$'000
Current		
Charge for the year	**43,067**	94,605
Underprovision in prior years	**6,522**	4,061
Deferred *(note 31)*	**(15,084)**	(6,115)
Total tax charge for the year	**34,505**	92,551

NOTES TO FINANCIAL STATEMENTS

31 December 2015

10. INCOME TAX EXPENSE (continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory tax rate for the country in which the majority of the Company's subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2015 HK$'000	2014 HK$'000
Profit before tax	**2,311,011**	606,629
Tax at the statutory tax rate	**577,753**	151,657
Effect of different tax rates for certain group entities	**(600,435)**	(170,686)
Adjustments in respect of current tax of previous periods	**6,522**	4,061
Results attributable to associates	**99**	73
Expenses not deductible for tax	**8,634**	48,902
Additional deduction of research and development expenses	**(28,611)**	(37,294)
Temporary differences not recognised	**(78,523)**	84,317
Tax losses not recognised	**149,066**	11,521
Tax charge at the Group's effective rate	**34,505**	92,551
The Group's effective income tax rate	**1.5%**	15.3%

The Group's PRC Subsidiaries are subject to corporate income tax ("CIT") at a rate of 25%. Certain subsidiaries of the Group operating in Mainland China are eligible for certain tax concessions. Major tax concessions applicable to those entities are detailed as follows:

(a) Shenzhen Coolpad, the Company's wholly-owned subsidiary, was reassessed and recognised as a high-technology enterprise in September 2014 and is subject to CIT at a rate of 15% for three years till September 2017. Therefore, Shenzhen Coolpad was subject to CIT at a rate of 15% (2014: 10% as a key software developer) for the year ended 31 December 2015.

(b) Yulong Shenzhen, the Company's wholly-owned subsidiary, has been recognised as a high-technology enterprise in October 2014 and is subject to CIT at a rate of 15% for three years till October 2016. Therefore, Yulong Shenzhen was subject to CIT at a rate of 15% (2014: 15%) for the year ended 31 December 2015.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

10. INCOME TAX EXPENSE (continued)

(c) Xi'an Coolpad, the Company's wholly-owned subsidiary, was assessed and recognised as a high-technology enterprise in November 2014, and is subject to CIT at a rate of 15% for three years from 2015 till 2017. Therefore, Xi'an Coolpad was subject to CIT at a rate of 15% (2014: 12.5%) for the year ended 31 December 2015.

(d) Shenzhen Coolpad Technologies Co., Ltd. ("SZ Coolpad Technologies"), the Company's wholly-owned subsidiary, has been recognised as a software enterprise and therefore was exempted from CIT for each of the two years ended 31 December 2013 and 2014 and is entitled to a 50% reduction in the applicable tax rate for CIT for the three years ending 31 December 2017. In this regard, SZ Coolpad Technologies is subject to CIT at a rate of 12.5% for the year ended 31 December 2015.

(e) Nanjing Coolpad Software Tech Co., Ltd. ("Nanjing Coolpad"), the Company's wholly-owned subsidiary, was established in the year 2014 and had been assessed as a software enterprise and therefore is exempted from CIT for the first two years starting from the year when it begins to make profit and will be entitled to a 50% reduction in the applicable tax rate for CIT in the three years that follow. Nanjing Coolpad started its tax concession period from year 2015 as it began to make profit during the year.

11. DIVIDEND

	2015 **HK$'000**	2014 HK$'000
Interim – nil (2014: HK1 cent) per ordinary share	**–**	42,914

The directors did not recommend the payment of final dividend for the years ended 31 December 2015 and 2014.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 4,332,172,259 (2014: 4,294,033,251) in issue during the year.

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

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

	2015	2014
	HK$'000	HK$'000
Earnings		
Profit attributable to ordinary equity holders of the Company used in the basic and diluted earnings per share calculations	**2,324,518**	512,855

	Number of shares	
	2015	2014
Shares		
Weighted average number of ordinary shares in issue during the year	**4,332,172,259**	4,294,824,922
Weighted average number of shares held for the Share Award Plan	**–**	(791,671)
Adjusted weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**4,332,172,259**	4,294,033,251
Effect of dilution – weighted average number of ordinary shares: Share options and awarded shares	**80,467,156**	93,219,191
	4,412,639,415	4,387,252,442

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13. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2015						
Cost or valuation:						
At 1 January 2015	623,267	22,507	259,803	25,742	187,138	1,118,457
Additions	–	–	34,316	3,340	179,512	217,168
Surplus on revaluation	28,999	–	–	–	–	28,999
Disposals	–	–	(7,138)	–	(506)	(7,644)
Transfers	5,525	(80)	1,430	–	(6,875)	–
Exchange realignment	(37,805)	(1,311)	(16,301)	(1,610)	(17,996)	(75,024)
At 31 December 2015	619,986	21,116	272,110	27,472	341,273	1,281,956
Accumulated depreciation:						
At 1 January 2015	70,123	14,838	115,181	12,309	–	212,451
Depreciation provided during the year	27,889	6,342	50,516	3,268	–	88,015
Disposals	–	–	(3,830)	–	–	(3,830)
Exchange realignment	(5,239)	(1,127)	(8,624)	(826)	–	(15,816)
At 31 December 2015	92,773	20,053	153,243	14,751	–	280,820
Net book value:						
At 31 December 2015	527,213	1,063	118,867	12,721	341,273	1,001,136

NOTES TO FINANCIAL STATEMENTS

31 December 2015

13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Note	Buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2014							
Cost or valuation:							
At 1 January 2014		389,143	18,339	165,382	24,423	122,482	719,769
Additions		–	–	86,172	14	191,159	277,345
Transfer from investment properties	*14*	105,683	–	–	–	–	105,683
Surplus on revaluation		28,368	–	–	–	–	28,368
Disposals		–	(285)	(11,550)	–	–	(11,835)
Transfers		100,476	4,498	19,988	1,380	(126,342)	–
Exchange realignment		(403)	(45)	(189)	(75)	(161)	(873)
At 31 December 2014		623,267	22,507	259,803	25,742	187,138	1,118,457
Accumulated depreciation:							
At 1 January 2014		44,462	10,381	88,569	8,491	–	151,903
Depreciation provided during the year		25,711	4,760	36,528	3,830	–	70,829
Disposals		–	(285)	(9,723)	–	–	(10,008)
Exchange realignment		(50)	(18)	(193)	(12)	–	(273)
At 31 December 2014		70,123	14,838	115,181	12,309	–	212,451
Net book value:							
At 31 December 2014		553,144	7,669	144,622	13,433	187,138	906,006

At 31 December 2015, the Group had yet to obtain building ownership certificates for certain buildings with a net book value of approximately HK$55,292,000 (2014: HK$57,225,000).

The Group's buildings were revalued individually at the end of the reporting period by Debenham Tie Leung Limited, independent professionally qualified valuers, at an aggregate open market value of HK$523,892,000 (2014: HK$550,383,000) as at 31 December 2015 based on their existing use. A revaluation surplus of HK$28,999,000 (2014: HK$28,368,000), resulting from the above valuations, has been credited to other comprehensive income.

At 31 December 2015, certain of the Group's buildings with a net carrying amount of approximately HK$210,289,000 (2014: HK$222,355,000) were pledged to secure general banking facilities granted to the Group (note 30).

NOTES TO FINANCIAL STATEMENTS

31 December 2015

13. PROPERTY, PLANT AND EQUIPMENT (continued)

FAIR VALUE HIERARCHY

The following table illustrates the fair value measurement hierarchy of the Group's buildings stated at revalued amounts:

	Fair value measurement at 31 December 2015 using			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Recurring fair value measurement for:				
Industrial properties	**–**	**–**	**523,892**	**523,892**

	Fair value measurement at 31 December 2014 using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Recurring fair value measurement for:				
Industrial properties	–	–	550,383	550,383

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.

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

		Buildings	
	Note	**2015 HK$'000**	2014 HK$'000
Carrying amount at 1 January		**550,383**	341,741
Addition during the year		**4,605**	100,476
Transfer from investment properties	*14*	**–**	105,683
Depreciation provided during the year		**(27,722)**	(25,543)
Surplus on revaluation recognised in other comprehensive income		**28,999**	28,368
Exchange realignment		**(32,373)**	(342)
Carrying amount at 31 December		**523,892**	550,383

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31 December 2015

13. PROPERTY, PLANT AND EQUIPMENT (continued)

FAIR VALUE HIERARCHY (continued)

Below is a summary of the valuation technique used and the key inputs to the valuation of buildings:

	Valuation technique	Significant unobservable inputs	Range weighted average 2015	Range weighted average 2014
Industrial properties	Depreciated replacement cost ("DRC") approach	a. Construction cost (RMB/sq.m.)	**a. 1,013 to 5,934**	a. 983 to 5,794
		b. Administrative expense rate	**b. 3%**	b. 3%
		c. Unpredictable expense rate	**c. 3%**	c. 3%
		d. Rate of newness	**d. 88% to 100%**	d. 88% to 100%

The Group has determined that the highest and best use of the buildings at the measurement date would be to convert those properties for residential purposes. For strategic reasons, the properties are not being used in this manner.

The DRC approach requires a valuation of the market value of the land in its existing use and an estimate of the new replacement cost of the buildings and structures from which deductions are then made to allow for the age, condition and functional obsolescence.

14. INVESTMENT PROPERTIES

	Notes	**2015 HK$'000**	2014 HK$'000
Carrying amount at 1 January		**113,029**	218,117
Net gain from a fair value adjustment recognised in profit or loss	*5*	**3,734**	1,724
Transfer to owner-occupied property	*13*	**–**	(105,683)
Exchange realignment		**(6,752)**	(1,129)
Carrying amount at 31 December		**110,011**	113,029

NOTES TO FINANCIAL STATEMENTS

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14. INVESTMENT PROPERTIES (continued)

The Group's investment properties consist of certain commercial properties in Mainland China. The Group's investment properties were revalued on 31 December 2015 based on valuations performed by Debenham Tie Leung Limited, independent professionally qualified valuers, at HK$110,011,000. Each year, the Group's property manager and the chief financial officer decide, after obtaining the approval of the audit committee, on the appointment of an external valuer for the valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's property manager and the chief financial officer have discussions with the valuer on the valuation assumptions and valuation results once a year when the valuation is performed for annual financial reporting.

FAIR VALUE HIERARCHY

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement at 31 December 2015 using			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Recurring fair value measurement for:				
Commercial properties	**–**	**–**	**110,011**	**110,011**

	Fair value measurement at 31 December 2014 using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Recurring fair value measurement for:				
Commercial properties	–	–	113,029	113,029

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 (2014: Nil).

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14. INVESTMENT PROPERTIES (continued)

FAIR VALUE HIERARCHY (continued)

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Commercial properties HK$'000	Industrial properties HK$'000	Total HK$'000
Carrying amount at 1 January 2014	111,672	106,445	218,117
Net gain from a fair value adjustment recognised in profit or loss	1,724	–	1,724
Transfer to owner-occupied property *(note 13)*	–	(105,683)	(105,683)
Exchange realignment	(367)	(762)	(1,129)
Carrying amount at 31 December 2014 and 1 January 2015	**113,029**	**–**	**113,029**
Net gain from a fair value adjustment recognised in profit or loss	**3,734**	**–**	**3,734**
Exchange realignment	**(6,752)**	**–**	**(6,752)**
Carrying amount at 31 December 2015	**110,011**	**–**	**110,011**

Below is a summary of the valuation technique used and the key inputs to the valuation of investment properties:

	Valuation technique	Significant unobservable inputs	Range weighted average 2015	Range weighted average 2014
Commercial properties	Direct comparison approach	a. Market monthly rental (RMB/sq.m.)	**a. 140**	a. 136
		b. Discounted rate	**b. 5.0% to 5.5%**	b. 5.0% to 5.5%
		c. Market unit sale rate (RMB/sq.m.)	**c. 26,500 to 28,000**	c. 25,000 to 28,000

The direct comparison approach requires a valuation by making reference to comparable sales evidence as available in the relevant market, and, where appropriate, using the investment method by capitalising the net rental income derived from the existing tenancies with due allowance for the reversionary potential of the respective properties.

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15. PREPAID LAND LEASE PAYMENTS

	2015 HK$'000	2014 HK$'000
Carrying amount at 1 January	**274,211**	157,116
Additions	**195,861**	122,642
Recognised during the year *(note 6)*	**(7,658)**	(3,594)
Disposal	**–**	(1,876)
Exchange realignment	**(16,836)**	(77)
Carrying amount at 31 December	**445,578**	274,211
Current portion included in prepayments, deposits and other receivables *(note 24)*	**(9,540)**	(5,980)
Non-current portion	**436,038**	268,231

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16. INTANGIBLE ASSETS

	Product development costs HK$'000	Patents and licences HK$'000	Computer software HK$'000	Total HK$'000
31 December 2015				
Cost:				
At 1 January 2015	**392,902**	**132,882**	**13,524**	**539,308**
Additions	**67,328**	**–**	**–**	**67,328**
Exchange realignment	**(24,810)**	**(7,758)**	**(789)**	**(33,357)**
At 31 December 2015	**435,420**	**125,124**	**12,735**	**573,279**
Accumulated amortisation:				
At 1 January 2015	**298,549**	**124,709**	**2,564**	**425,822**
Provided during the year	**65,131**	**4,950**	**1,330**	**71,411**
Exchange realignment	**(19,211)**	**(7,484)**	**(204)**	**(26,899)**
At 31 December 2015	**344,469**	**122,175**	**3,690**	**470,334**
Net carrying amount:				
At 31 December 2015	**90,951**	**2,949**	**9,045**	**102,945**
31 December 2014				
Cost:				
At 1 January 2014	345,364	128,545	13,569	487,478
Additions	68,769	4,749	–	73,518
Disposal	(20,459)	–	–	(20,459)
Exchange realignment	(772)	(412)	(45)	(1,229)
At 31 December 2014	392,902	132,882	13,524	539,308
Accumulated amortisation:				
At 1 January 2014	225,070	87,670	1,216	313,956
Provided during the year	94,209	37,191	1,347	132,747
Disposal	(20,459)	–	–	(20,459)
Exchange realignment	(271)	(152)	1	(422)
At 31 December 2014	298,549	124,709	2,564	425,822
Net carrying amount:				
At 31 December 2014	94,353	8,173	10,960	113,486

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17. INVESTMENTS IN JOINT VENTURES

	2015 HK$'000	2014 HK$'000
Share of net assets	**1,320,916**	4,891
Goodwill	**2,427,455**	–
	3,748,371	4,891

On 16 December 2014, the Group entered into a Share Subscription Agreement with Tech Time to allot certain shares of Coolpad E-commerce to Tech Time at a consideration of US$409,050,000 (equivalent to HK$3,170,187,000) (the "First Transaction"). Upon completion of the First Transaction on 23 April 2015, the Group and Tech Time held 55% and 45% equity interests of Coolpad E-commerce therein, respectively. The Group still retained the control of Coolpad E-commerce and accordingly, continued to account for it as a subsidiary. The change in the ownership interest in Coolpad E-commerce was accounted for as an equity transaction.

On 25 May 2015, the Group entered into an equity transfer agreement with Tech Time to transfer 4.5% of its equity interest in Coolpad E-commerce to Tech Time for a consideration of US$45,000,000 (equivalent to HK$348,867,000) (the "Second Transaction"). Upon completion of the Second Transaction on 29 May 2015, the Group's equity interest in Coolpad E-commerce was reduced from 55% to 50.5%. The Group lost the control of Coolpad E-commerce and accounted for it as a joint venture (note 35).

The Group's trade receivable and payable balances with the joint ventures are disclosed in note 38(a) to the financial statements.

Particulars of the Group's material joint venture are as follows:

Name	Place of registration and business	Fully paid-up capital	Percentage of Ownership interest	 Voting power	 Profit sharing	Principal activity
Coolpad E-commerce	Cayman Islands	US$20	50.5%	50%	50.5%	Investment holding

The above investment is directly held by the Company.

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31 December 2015

17. INVESTMENTS IN JOINT VENTURES (continued)

Coolpad E-commerce is an investment holding company and its subsidiaries (collectively, the "Coolpad E-commerce Group") are engaged in the research, development, designing, manufacturing, distribution, marketing and sale of internet and other terminal products that are distributed through internet as the primary channel and the research, development, operation and provision of services for the key components, software and/or applications of the internet terminal products. Coolpad E-commerce Group, which is considered a material joint venture of the Group, acts as a strategic partner of the Group and is accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Coolpad E-commerce Group adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	31 December 2015 HK$'000
Cash and cash equivalents	2,576,539
Other current assets	720,840
Current assets	3,284,379
Non-current assets	42,947
Trade payables	(462,703)
Other current liabilities	(168,146)
Current liabilities	(630,849)
Non-current liabilities	(39,515)
Net assets	2,656,962
Reconciliation to the Group's interest in the joint venture:	
Proportion of the Group's ownership	50.5%
Group's share of net assets of the joint venture	1,341,766
Unrealised profits on the transactions with Coolpad E-commerce Group	(25,741)
Goodwill	2,427,455
Carrying amount of the investment	3,743,480

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17. INVESTMENTS IN JOINT VENTURES (continued)

	Period from 29 May 2015 to 31 December 2015 HK$'000
Revenue	1,633,770
Loss for the year	(365,327)
Other comprehensive loss for the year	(109,541)
Total comprehensive loss for the year	(474,868)

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

	2015 HK$'000	2014 HK$'000
Share of the joint venture's loss and total comprehensive loss for the year	**–**	(297)
Carrying amount of the Group's investment in the joint venture	**4,891**	4,891

18. INVESTMENTS IN ASSOCIATES

	2015 HK$'000	2014 HK$'000
Share of net assets	**197,759**	58,500

The Group's trade payable balance with an associate is disclosed in note 38(a) to the financial statements.

The Group's shareholdings in the associates are held through a wholly-owned subsidiary of the Company. The Group's associates are considered not material to the Group, either individually or in aggregate. The following table illustrates the aggregate financial information of the Group's associates:

	2015 HK$'000	2014 HK$'000
Share of associates' losses and total comprehensive loss for the year	**(660)**	(485)
Aggregate carrying amount of the Group's investments in associates	**197,759**	58,500

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19. AVAILABLE-FOR-SALE INVESTMENTS

	2015 HK$'000	2014 HK$'000
Listed equity investments, at fair value:	**2,782**	3,159
Unlisted equity investments, at cost	**50,303**	52,993
Impairment *(note 6)*	**(16,169)**	–
	34,134	52,993
	36,916	56,152

During the year, the gross loss in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to HK$377,000 (2014: HK$1,889,000).

The above equity investments are designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

As at 31 December 2015, certain unlisted equity investments with a carrying amount of HK$34,134,000 (2014: HK$52,993,000) were stated at cost less impairment because the variability in the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair values cannot be measured reliably. The Group does not intend to dispose of these investments in the near future.

20. INVENTORIES

	2015 HK$'000	2014 HK$'000
Raw materials	**817,603**	1,334,632
Work in progress	**355,040**	352,148
Finished goods	**513,927**	1,110,880
	1,686,570	2,797,660

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21. TRADE RECEIVABLES

	2015	2014
	HK$'000	HK$'000
Trade receivables	**1,638,849**	3,025,913
Impairment	**(19,250)**	(6,850)
	1,619,599	3,019,063

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. In the cases of long-standing customers and those with a good repayment history, the Group may offer these customers with a credit period of 30 to 90 days, extending up to 120 days for some overseas customers. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	2015	2014
	HK$'000	HK$'000
Within 3 months	**1,373,110**	2,948,505
4 to 6 months	**225,445**	63,764
7 to 12 months	**32,282**	3,188
Over 1 year	**8,012**	10,456
	1,638,849	3,025,913
Less: Impairment	**(19,250)**	(6,850)
	1,619,599	3,019,063

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

	2015	2014
	HK$'000	HK$'000
At 1 January	**6,850**	12,637
Impairment losses recognised/(reversed) *(note 6)*	**12,840**	(4,361)
Amounts written off as uncollectible	**(21)**	(1,411)
Exchange realignment	**(419)**	(15)
	19,250	6,850

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21. TRADE RECEIVABLES (continued)

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$19,250,000 (2014: HK$6,850,000) with a carrying amount before provision of HK$141,906,000 (2014: HK$49,107,000).

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

	2015	2014
	HK$'000	HK$'000
Neither past due nor impaired	**1,332,204**	2,910,896
Less than 3 months past due	**138,776**	58,848
More than 3 months past due	**25,963**	7,062
	1,496,943	2,976,806

Receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default.

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

NOTES TO FINANCIAL STATEMENTS

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22. BILLS RECEIVABLE

An aging analysis of the bills receivable as at the end of the reporting period, based on the issue date, is as follows:

	2015	2014
	HK$'000	HK$'000
Within 3 months	**129,345**	553,099

Bills receivable are non-interest-bearing.

At 31 December 2015 and 2014, the Group did not have any past due or impaired bills receivable.

TRANSFERRED FINANCIAL ASSETS THAT ARE DERECOGNISED IN THEIR ENTIRETY

At 31 December 2015, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Derecognised Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers with an aggregate carrying amount of RMB272,628,269 (equivalent to HK$325,417,495). The Derecognised Bills had a maturity of one to three months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's continuing involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the year ended 31 December 2015, the Group had not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsement has been made throughout the year.

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23. LOANS RECEIVABLE

	2015 HK$'000	2014 HK$'000
Loans receivable	**1,032,559**	290,768
Non-current portion	**(37,046)**	–
Short-term loans receivable	**995,513**	290,768

Huiying, a wholly-owned subsidiary of the Group, was established in 2014 engaging in providing finance service. Those loans receivable bear interests at rates ranging from 8% to 15% per annum (2014: 8% to 12%). The grants of these loans were approved and monitored by the Group's management.

Except for loans receivable with an aggregate carrying amount of HK$145,840,000 (2014: HK$283,809,000) as at 31 December 2015, which were secured by the pledge of collateral and guarantees by certain independent third parties, the remaining loans receivable as at 31 December 2015 were unsecured. The directors of the Company are of the opinion that no provision for impairment is necessary in respect of those loans receivable without the pledge of collateral and guarantees taking into account their sound financial positions and good track record of the related interest collections.

An aging analysis of loans receivable, determined based on the age of the loans receivable since the effective draw down date of the loans, as at the end of the reporting period is as follows:

	2015 HK$'000	2014 HK$'000
Within 3 months	**981,500**	273,163
4 to 6 months	**12,924**	17,605
7 to 12 months	**32,298**	–
Over 1 year	**5,837**	–
	1,032,559	290,768

All of the loans receivable are neither past due nor impaired. These loans were made to a number of diversified borrowers for whom there was no recent history of default.

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24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015	2014
	HK$'000	HK$'000
Prepayments	**29,963**	100,512
Deposits and other receivables	**978,929**	912,488
Prepaid expenses	**5,180**	3,593
Current portion of prepaid land lease payments *(note 15)*	**9,540**	5,980
Deposits for purchase of property, plant and equipment	**651**	21,206
	1,024,263	1,043,779
Non-current portion	**(45,106)**	(86,671)
	979,157	957,108

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

25. DUE FROM A DIRECTOR

Particulars of the amount due from a director are as follows:

Name	**At 31 December 2015 HK$'000**	**Maximum amount outstanding during the year** HK$'000	**At 31 December 2014 and 1 January 2015** HK$'000	**Maximum amount outstanding during the prior year** HK$'000
Mr. Guo Deying	**3,282**	3,282	–	–

The amount due from a director mainly represents advances to the director which were unsecured, interest free and with no fixed term of repayment.

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26. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2015	2014
	HK$'000	HK$'000
Cash and bank balances	**2,515,974**	2,959,143
Time deposits	**413,488**	641,659
	2,929,462	3,600,802
Less: Pledged deposits for:		
– Bills payable *(note 28)*	**(321,687)**	(470,523)
– Long-term loans *(note 30(a))*	**–**	(23,677)
– Issuance of letters of credit	**(79,376)**	(103,743)
– A performance guarantee provided by a bank	**(12,425)**	(43,716)
	(413,488)	(641,659)
Cash and cash equivalents	**2,515,974**	2,959,143

At the end of the reporting period, the cash and cash equivalents of the Group denominated in RMB amounted to approximately HK$2,238,514,000 (2014: HK$2,487,195,300). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. 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.

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27. TRADE PAYABLES

An aging 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
Within 3 months	**1,778,233**	1,728,540
4 to 6 months	**22,858**	317,403
7 to 12 months	**28,098**	9,096
Over 1 year	**87,006**	62,801
	1,916,195	2,117,840

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 60 days.

28. BILLS PAYABLE

An aging analysis of the bills payable as at the end of the reporting period, based on the issue date, is as follows:

	2015 HK$'000	2014 HK$'000
Within 3 months	**1,351,701**	2,179,404

At 31 December 2015, the Group's bills payable were secured by time deposits of HK$321,687,000 (2014: HK$470,523,000) (note 26).

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29. OTHER PAYABLES AND ACCRUALS

	Note	2015 HK$'000	2014 HK$'000
Accrued royalties		**708,092**	497,486
Advances from customers		**211,545**	1,025,602
Product warranty provision	*(a)*	**43,941**	95,654
Accrued sales incentives		**395,008**	718,787
Other accruals		**21,718**	29,085
Other payables		**700,964**	486,805
		2,081,268	2,853,419

Other payables are non-interest-bearing and have no fixed terms of repayment.

Note:

(a) The movements in the product warranty provision are as follows:

	Note	2015 HK$'000	2014 HK$'000
At 1 January		**95,654**	98,032
Additional provision	*6*	**76,241**	130,901
Amounts utilised during the year		**(129,929)**	(132,944)
Exchange realignment		**1,975**	(335)
At 31 December		**43,941**	95,654

The Group provides one-year warranty for its products sold to customers, under which faulty products are repaired or replaced. The amount of the warranty provision is estimated based on the sales volume and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised, where appropriate.

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30. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2015			2014		
	Effective interest rate (%)	**Maturity**	**HK$'000**	Effective interest rate (%)	Maturity	HK$'000
Current						
Bank loans – secured	**4.75-6.00**	**2016**	**119,363**	6.46	2015	82,396
Bank loans – unsecured	**4.26-5.04**	**2016**	**537,134**	–	–	–
Bank loans – import and trust receipt loans	**0.84**	**2016**	**310,040**	0.73-0.83	2015	465,402
Other borrowings – unsecured	**–**	**2016**	**238,726**	–	–	–
			1,205,263			547,798
Non-current						
Bank loans – secured	**4.75-6.00**	**2017**	**155,172**	3.47-6.46	2016-2017	1,615,624
Other borrowings – unsecured	**4.75**	**2017**	**347**	–	–	–
			155,519			1,615,624
			1,360,782			2,163,422
Analysed into bank and other loans repayable:						
Within one year or on demand			**1,205,263**			547,798
In the second year			**155,519**			126,764
In the third to fifth years, inclusive			**–**			1,488,860
			1,360,782			2,163,422

Notes:

(a) At 31 December 2015, certain of the Group's bank borrowings with an aggregate amount of HK$274,535,000 were also secured by the pledge of the Group's buildings situated in Mainland China, with an aggregate carrying value at 31 December 2015 of approximately HK$210,890,000 (note 13).

At 31 December 2014, out of the Group's total bank and other borrowings, a borrowing amounting to HK$1,324,068,000 included in non-current liabilities, was secured by the pledge of the entire equity shares of Digital Tech Inc., Yulong Infotech Inc. and Coolpad Technologies Inc., wholly-owned subsidiaries of the Group, and the pledge of the Group's time deposits amounting to approximately HK$23,677,000 (note 26). The loan had been fully repaid in advance in the year 2015.

(b) At 31 December 2015, the Group's bank and other borrowings of HK$608,795,000 (2014: HK$839,354,000) and HK$513,261,000 (2014: HK$1,324,068,000) bore interest at fixed rates and floating rates, respectively.

(c) At 31 December 2015, the Group's bank borrowings of HK$1,050,742,000 (2014: HK$373,952,000) and HK$310,040,000 (2014: HK$1,789,470,000) were denominated in RMB and United States dollars ("USD"), respectively.

31. DEFERRED TAX

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

DEFERRED TAX LIABILITIES

	Revaluation of buildings HK$'000	Withholding taxes HK$'000	Unrealised profit HK$'000	Total HK$'000
At 1 January 2014	38,728	8,209	1,326	48,263
Charged to equity during the year	4,729	–	–	4,729
Charged to profit or loss for the year	516	–	1,440	1,956
Exchange differences	(109)	–	–	(109)
At 31 December 2014 and 1 January 2015	**43,864**	**8,209**	**2,766**	**54,839**
Charged to equity during the year	**3,220**	**–**	**–**	**3,220**
Charged/(credited) to profit or loss for the year	**683**	**–**	**(2,766)**	**(2,083)**
Exchange differences	**(2,721)**	**–**	**–**	**(2,721)**
At 31 December 2015	**45,046**	**8,209**	**–**	**53,255**

DEFERRED TAX ASSETS

	Amortisation allowance in excess of related amortisation HK$'000
At 1 January 2014	10,554
Credited to profit or loss for the year	8,071
Exchange differences	(5)
At 31 December 2014 and 1 January 2015	**18,620**
Credited to profit or loss for the year	**13,001**
Exchange differences	**(1,621)**
At 31 December 2015	**30,000**

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31. DEFERRED TAX (continued)

DEFERRED TAX LIABILITIES NOT RECOGNISED

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 Mainland China. 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 Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by the PRC subsidiaries in respect of their earnings generated from 1 January 2008.

At 31 December 2015, the Group has not recognised deferred tax liabilities of HK$357,756,000 (2014: HK$359,872,000) in respect of temporary differences relating to the undistributed profits of subsidiaries, amounting to HK$3,577,558,000 (2014: HK$3,598,723,000), that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and determines that it is not probable that these profits will be distributed in the foreseeable future.

DEFERRED TAX ASSETS NOT RECOGNISED

Deferred tax assets have not been recognised in respect of the following items:

	2015 **HK$'000**	2014 HK$'000
Tax losses	**307,529**	143,217
Deductible temporary differences	**1,252,222**	1,725,474
	1,559,751	1,868,691

The Group had total accumulated tax losses arising in Mainland China and Hong Kong of HK$307,529,000 (2014: HK$143,217,000) for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that sufficient taxable profits will be available against which the above items can be utilised.

32. SHARE CAPITAL

	2015 **HK$'000**	2014 HK$'000
Authorised:		
20,000,000,000 (2014: 20,000,000,000) ordinary shares of HK$0.01 each	**200,000**	200,000
Issued and fully paid:		
4,354,393,200 (2014: 4,295,027,200) ordinary shares of HK$0.01 each	**43,544**	42,950

NOTES TO FINANCIAL STATEMENTS

31 December 2015

32. SHARE CAPITAL (continued)

A summary of the transactions during the year with reference to the movements in the Company's issued share capital 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		2,110,745,000	21,107	375,136	396,243
Issue of bonus shares	*(a)*	2,134,709,000	21,347	(21,347)	–
Issue of shares upon exercise of share options		49,573,200	496	103,957	104,453
Interim 2014 dividend declared and paid		–	–	(42,914)	(42,914)
At 31 December 2014 and 1 January 2015		**4,295,027,200**	**42,950**	**414,832**	**457,782**
Issue of shares upon exercise of share options	*(b)*	**59,366,000**	**594**	**101,499**	**102,093**
At 31 December 2015		**4,354,393,200**	**43,544**	**516,331**	**559,875**

Details of the Company's share option scheme and the share options issued under the scheme are included in note 33 to the financial statements.

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32. SHARE CAPITAL (continued)

During the years, the movements in issued share capital were as follows:

(a) 2,134,709,000 bonus shares were granted for the ordinary shares held by the then existing shareholders on the basis of one bonus share for one ordinary share in issue on 3 June 2014, which were approved by the shareholders at the annual general meeting of the Company held on 23 May 2014.

(b) The movements in share capital due to share options exercised :

	Numbers of the shares issued due to share options exercised (par value per share of HK$0.01)	Exercised price	Total cash consideration (before expense)
		HK$	HK$'000
	3,108,000	0.337	1,047
	18,456,000	1.620	29,899
	12,208,000	0.839	10,243
	18,226,000	1.164	21,215
	7,368,000	1.540	11,347
Total	59,366,000		73,751

33. SHARE OPTION SCHEME

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 non-executive directors, including independent non-executive directors, employees, consultants, advisers, customers and any shareholder of any member of the Group. The Company's first share option scheme with a valid period of 10 years became effective on 21 November 2004 and was terminated on 23 May 2014 since this scheme would be due to expire on 21 November 2014. A new share option scheme was adopted by the Company and became effective on 23 May 2014 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares which may be issued upon exercise of all outstanding options to be granted under the Scheme and any other share option scheme of the Group is an amount equivalent, upon their exercise, to 10% of the shares in issue at the time dealings in the shares first commence on the Stock Exchange. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

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33. SHARE OPTION SCHEME (continued)

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors of the Company. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the shares.

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

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

	2015		2014	
	Weighted average exercise price HK$ per share	**Number of options '000 per share**	Weighted average exercise price HK$	Number of options '000
At 1 January	**1.2874**	**231,945**	2.2829	131,998
Granted during the year	**1.5814**	**301,696**	3.0800	32,020
Adjusted during the year	**–**	**–**	–	135,892
Exercised during the year	**1.2423**	**(59,366)**	1.4599	(49,573)
Forfeited during the year	**1.3877**	**(37,538)**	1.5759	(18,392)
Expired during the year	**1.6200**	**(640)**	–	–
At 31 December	**1.4878**	**436,097**	1.2874	231,945

The weighted average share price at the date of exercise for share options exercised during the year was HK$1.773 per share (2014: HK$2.006 per share).

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33. SHARE OPTION SCHEME (continued)

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* HK$ per share	Exercise period
4,364	0.337	20-05-14 to 19-05-18
6,000	0.199	27-02-13 to 26-02-17
8,000	1.620	28-06-14 to 27-06-18
8,884	1.620	28-06-12 to 27-06-16
14,288	1.620	28-06-13 to 27-06-17
13,504	1.620	28-06-14 to 27-06-18
2,800	0.839	12-07-12 to 11-07-16
11,389	0.839	12-07-12 to 11-07-16
336	0.839	12-07-14 to 11-07-18
4,000	1.164	27-12-15 to 27-12-19
31,212	1.164	27-12-13 to 27-12-17
5,952	1.164	27-12-15 to 27-12-19
40,360	1.540	10-01-15 to 10-01-19
2,000	1.540	10-01-17 to 10-01-21
67,744	1.492	22-01-16 to 22-01-20
10,432	1.492	22-01-17 to 22-01-21
46,000	1.620	16-10-17 to 16-10-21
82,832	1.620	16-10-16 to 16-10-20
76,000	1.620	16-10-17 to 16-10-21
436,097		

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33. SHARE OPTION SCHEME (continued)

2014

Number of options '000	Exercise price* HK$ per share	Exercise period
1,888	0.337	20-05-11 to 19-05-15
6,184	0.337	20-05-11 to 19-05-15
8,964	1.620	28-06-11 to 27-06-15
14,000	1.620	28-06-12 to 27-06-16
18,768	1.620	28-06-13 to 27-06-17
23,000	1.620	28-06-14 to 27-06-18
28,925	0.839	12-07-12 to 11-07-16
432	0.839	12-07-14 to 11-07-18
2,637	1.164	27-12-13 to 27-12-17
18,353	1.164	27-12-14 to 27-12-17
22,353	1.164	27-12-15 to 27-12-17
18,353	1.164	27-12-16 to 27-12-17
1,488	1.164	27-12-15 to 27-12-19
1,488	1.164	27-12-16 to 27-12-19
1,488	1.164	27-12-17 to 27-12-19
1,488	1.164	27-12-18 to 27-12-19
7,606	1.540	10-01-15 to 10-01-19
15,510	1.540	10-01-16 to 10-01-19
15,510	1.540	10-01-17 to 10-01-19
15,510	1.540	10-01-18 to 10-01-19
500	1.540	10-01-17 to 10-01-21
500	1.540	10-01-18 to 10-01-21
500	1.540	10-01-19 to 10-01-21
500	1.540	10-01-20 to 10-01-21
6,000	0.199	27-02-13 to 26-02-17
231,945		

* 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.

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33. SHARE OPTION SCHEME (continued)

The fair values of equity-settled share options for Batch 1 and 2 granted during the year were estimated as at the date of grant by LCH (Asia-Pacific) Surveyors Limited, an independent professionally qualified valuer, at HK$63,783,000 and HK$179,277,000, respectively, 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:

Batch	1	2
Stock asset price (HK$ per share)	1.46	1.62
Option strike price (HK$ per share)	1.49	1.62
Expected option period (Years)	5	5
Dividend yield (%)	0.53	0.00
Annualised volatility (%)	61	62
Risk-free interest rate (%)	1.00	0.77

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

The Group recognised a share option expense of HK$49,591,000 (2014: HK$37,254,000) during the year ended 31 December 2015 (note 6).

The 59,366,000 share options exercised during the year resulted in the issue of 59,366,000 ordinary shares of the Company and new share capital of HK$594,000 and share premium of HK$101,499,000 (before issue expenses), as further detailed in note 32 to the financial statements.

At the end of the reporting period, the Company had 436,097,000 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 436,097,000 additional ordinary shares of the Company and additional share capital of HK$4,361,000 and share premium of HK$644,481,000 (before issue expenses).

Subsequent to the end of the reporting period, a total of 204,000 share options were exercised, resulting in the issue of 204,000 ordinary shares of the Company, with 800,000 share options being forfeited.

At the date of approval of these financial statements, the Company had 435,093,000 share options outstanding under the Scheme, which represented approximately 8.69% of the Company's shares in issue as at that date.

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34. SHARE AWARD PLAN

On 3 March 2008, the directors approved the adoption of a share award plan (the "Share Award Plan") to recognise and reward the contribution of certain employees to the growth and development of the Group through an award of the Company's shares. The Share Award Plan became effective on 3 March 2008 and will remain in force for 10 years from that date.

The Group has appointed a trustee (the "Trustee") for the purposes of administering the Share Award Plan. The Trustee will be notified by the directors in writing upon making of an award to an eligible employee under the Share Award Plan. Upon the receipt of such notice, the Trustee will set aside the appropriate number of awarded shares out of a pool of shares comprising the following:

(a) the Company's shares which will be purchased by the Trustee on the Stock Exchange at such times and prices as may be considered by the Trustee to be appropriate by utilising the fund to be paid by the Company to the Trustee;

(b) such shares as may be purchased by the Trustee on the Stock Exchange by utilising the funds allocated by the directors out of the Company's resources; and

(c) such shares which remain unvested and revert to the Trustee by reason of a lapse of an award.

The legal and beneficial ownership of the relevant awarded shares shall vest in the relevant selected employee within 10 business days after the latest of: (a) the date specified by the directors on the notice of the award (which shall not be earlier than the first business day immediately following the expiry of six months after the adoption date); (b) where applicable, the date on which the condition(s) or performance target(s) (if any) to be attained by such selected employee as specified in the related notice of award has/have been attained and notified to the Trustee by the directors in writing; and (c) where applicable, the date on which the Trustee has completed the purchase of shares for the purpose of making the relevant award.

The Trustee purchased in aggregate 19,024,000 shares of the Company at a total cost (including related transaction costs) of approximately HK$3,799,000 during the period from October 2008 to January 2009.

During the prior year, 1,204,000 shares were granted to an executive director of the Group (note 8) and the Group recognised a share award expense of HK$2,017,000.

At the end of the prior year, the Group had already awarded all the 19,024,000 shares of the Company to its directors or employees pursuant to the Share Award Plan.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

35. DISPOSAL OF A SUBSIDIARY

As detailed in note 17 to the financial statements, upon completion of the Second Transaction on 29 May 2015 (the "Disposal Date"), the Group's equity interest in Coolpad E-commerce was reduced from 55% to 50.5%. As a result, the Group lost the control of Coolpad E-commerce and accounted for it as a joint venture.

	Coolpad E-commerce Group HK$'000
Net assets disposed of:	
Prepayments and other receivables	1,784,737
Inventories	138,814
Trade receivables	5,364
Bills receivables	14,483
Cash and cash equivalents	1,215,502
Other payables and accruals	(27,070)
	3,131,830
Proportion of the Group's ownership on the Disposal Date	55%
Proportion of the net assets attributable to the Group on the Disposal Date	1,722,506
Fair value of the equity interests retained in Coolpad E-commerce on the Disposal Date	(4,009,030)
Gain on the loss of control of a subsidiary	2,635,391
	348,867
Satisfied by:	
Cash	348,867

An analysis of the net outflow of cash and cash equivalents in respect of the loss of control of a subsidiary is as follows:

	HK$'000
Cash consideration	348,867
Cash and cash equivalents disposed of	(1,215,502)
Net outflow of cash and cash equivalents in respect of the loss of control of a subsidiary	(866,635)

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36. OPERATING LEASE ARRANGEMENTS

(A) AS LESSOR

The Group leases its investment properties (note 14) under operating lease arrangements, with leases negotiated for terms ranging from one to nine years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

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

	2015 HK$'000	2014 HK$'000
Within one year	**5,547**	6,137
In the second to fifth years, inclusive	**23,402**	10,551
After five years	**11,097**	9,482
	40,046	26,170

(B) AS LESSEE

The Group leases certain of its warehouses and office premises under operating lease arrangements for lease terms ranging from one to five years. The total future minimum lease payments under non-cancellable operating leases committed at the end of the reporting period to be made by the Group were as follows:

	2015 HK$'000	2014 HK$'000
Within one year	**13,960**	50,288
In the second to fifth years, inclusive	**9,253**	44,240
	23,213	94,528

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37. COMMITMENTS

In addition to the operating lease commitments detailed in note 36(b) above, the Group had the following capital commitments at the end of the reporting period:

	2015 HK$'000	2014 HK$'000
Contracted, but not provided for:		
Land and buildings	**208,528**	335,897

38. RELATED PARTY TRANSACTIONS

(A) BALANCES WITH RELATED PARTIES:

	2015 HK$'000	2014 HK$'000
Due from a joint venture	**195,051**	–
	195,051	–

	2015 HK$'000	2014 HK$'000
Due to an associate	**706**	3,830
Due to a joint venture	**2,359**	–
	3,065	3,830

The above balances with related parties are unsecured, non-interest-bearing and have no fixed terms of repayment.

NOTES TO FINANCIAL STATEMENTS

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38. RELATED PARTY TRANSACTIONS (continued)

(B) TRANSACTIONS WITH RELATED PARTIES:

	2015 **HK$'000**	2014 HK$'000
An associate:		
Purchase of raw materials	**10,884**	35,525
Rental	**415**	–
A joint venture:		
Sales of products	**1,882,493**	–
Purchase of products	**10,157**	–
Sales of assets	**4,427**	–
Rental	**1,441**	–

The above transactions with related parties were made based on mutually agreed terms.

(C) COMPENSATION OF KEY MANAGEMENT PERSONNEL OF THE GROUP:

In addition to the amounts paid to the Company's directors as disclosed in note 8 to the financial statements, compensation of other key management personnel of the Group is set out below:

	2015 **HK$'000**	2014 HK$'000
Salaries, allowances and benefits in kind	**7,242**	6,959
Pension scheme contributions	**103**	134
Equity-settled share option expense	**1,475**	3,096
Total compensation paid to other key management personnel	**8,820**	10,189

The related party transactions above do not constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

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39. OFFSETTING OF FINANCIAL INSTRUMENTS

The Group entered into a series of set-off arrangements in respect of its restricted time deposits and interest-bearing bank loans in the current year. The agreements provided the Group conditional rights to set-off that are enforceable and exercisable.

Financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements are set out below:

31 December 2015

	Gross amounts of recognised financial asset/ (liability) HK$'000	**Gross amounts of recognised financial (asset)/ liability set off in the statement of financial position HK$'000**	**Net amounts of financial asset represented in the statement of financial position HK$'000**	**Related amounts not set off in the statement of financial position: Financial instruments HK$'000**	**Related amounts not set off in the statement of financial position: Cash collateral received HK$'000**	**Net amount HK$'000**
Restricted time deposits	**323,320**	**(323,320)**	**–**	**–**	**–**	**–**
Interest-bearing bank loans	**(323,320)**	**323,320**	**–**	**–**	**–**	**–**

31 December 2014

	Gross amounts of recognised financial asset/ (liability) HK$'000	Gross amounts of recognised financial (asset)/ liability set off in the statement of financial position HK$'000	Net amounts of financial asset represented in the statement of financial position HK$'000	Related amounts not set off in the statement of financial position: Financial instruments HK$'000	Related amounts not set off in the statement of financial position: Cash collateral received HK$'000	Net amount HK$'000
Restricted time deposits	875,173	(875,173)	–	–	–	–
Interest-bearing bank loans	(875,173)	875,173	–	–	–	–

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40. FINANCIAL INSTRUMENTS BY CATEGORY

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

FINANCIAL ASSETS

	2015			2014		
	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale investments	–	**36,916**	**36,916**	–	56,152	56,152
Trade receivables	**1,619,599**	–	**1,619,599**	3,019,063	–	3,019,063
Bills receivable	**129,345**	–	**129,345**	553,099	–	553,099
Loans receivable	**1,032,559**	–	**1,032,559**	290,768	–	290,768
Financial assets included in prepayments, deposits and other receivables	**191,587**	–	**191,587**	162,569	–	162,569
Due from a director	**3,282**	–	**3,282**	–	–	–
Due from a joint venture	**195,051**	–	**195,051**	–	–	–
Pledged deposits	**413,488**	–	**413,488**	641,659	–	641,659
Cash and cash equivalents	**2,515,974**	–	**2,515,974**	2,959,143	–	2,959,143
	6,100,885	**36,916**	**6,137,801**	7,626,301	56,152	7,682,453

FINANCIAL LIABILITIES

	2015 Financial liabilities at amortised cost HK$'000	2014 Financial liabilities at amortised cost HK$'000
Trade payables	**1,916,195**	2,117,840
Bills payable	**1,351,701**	2,179,404
Financial liabilities included in other payables and accruals	**1,720,328**	1,562,566
Interest-bearing bank and other borrowings	**1,360,782**	2,163,422
Due to a joint venture	**2,359**	–
Due to an associate	**706**	3,830
	6,352,071	8,027,062

NOTES TO FINANCIAL STATEMENTS

31 December 2015

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Available-for-sale investments – listed	**2,782**	3,159	**2,782**	3,159
Financial liabilities				
Interest-bearing bank and other borrowings	**1,360,782**	2,163,422	**1,360,782**	2,163,422

Management has assessed that the fair values of unlisted available-for-sale investments, trade and bills receivables, financial assets included in prepayments, deposits and other receivables, loans receivables, an amount due from a director, an amount due from a joint venture, pledged deposits, cash and cash equivalents, trade and bills payables, financial liabilities included in other payables and accruals, an amount due to a joint venture and an amount due to an associate approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the chief financial officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The valuation process and results are discussed with the chief financial officer twice a year for interim and annual financial reporting.

The fair values of the interest-bearing bank and other loans have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other loans as at 31 December 2015 was assessed to be insignificant.

NOTES TO FINANCIAL STATEMENTS

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

FAIR VALUE HIERARCHY

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2015

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Available-for-sale investments – listed	**2,782**	**–**	**–**	**2,782**

As at 31 December 2014

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Available-for-sale investments – listed	3,159	–	–	3,159

NOTES TO FINANCIAL STATEMENTS

31 December 2015

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

FAIR VALUE HIERARCHY (Continued)

Liabilities for which fair values are disclosed:

As at 31 December 2015

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Interest-bearing bank and other borrowings	**–**	**1,360,782**	**–**	**1,360,782**

As at 31 December 2014

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Interest-bearing bank and other borrowings	–	2,163,422	–	2,163,422

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

NOTES TO FINANCIAL STATEMENTS

31 December 2015

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, 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 and bills receivables, loans receivable, an amount due from a joint venture, an amount due from a director, trade and bills payables, an amount due to a joint venture and an amount due to an associate, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing these risks and they are summarised below.

INTEREST RATE RISK

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank borrowings which bear interest at floating rates. The interest rates and terms of repayment of the Group's borrowings are disclosed in note 30 to the financial statements.

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).

	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax** HK$'000
2015		
RMB	**100**	**(5,133)**
RMB	**(100)**	**5,133**
2014		
USD	100	(13,566)
USD	(100)	13,566

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, where the revenue, cost of sales and certain portion of the bank and other loans are denominated in USD and EUR. The Group is exposed to foreign exchange risk with respect mainly to USD and EUR. The Group takes rolling forecast on foreign currency revenue and expenses and matches the currency and the amount incurred, so as to alleviate the impact on business due to exchange rate fluctuation.

NOTES TO FINANCIAL STATEMENTS

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42. 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 USD and EUR exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities). Other components of equity would have no change.

	Increase/ (decrease) in US$ %	Increase/ (decrease) in profit before tax HK$'000
2015		
If RMB weakens against US$	**5**	**(11,059)**
If RMB strengthens against US$	**(5)**	**11,059**
2014		
If RMB weakens against US$	5	(4,357)
If RMB strengthens against US$	(5)	4,357

	Increase/ (decrease) in EUR %	Increase/ (decrease) in profit before tax HK$'000
2015		
If RMB weakens against EUR	**5**	**92**
If RMB strengthens against EUR	**(5)**	**(92)**
If HK$ weakens against EUR	**5**	**2,252**
If HK$ strengthens against EUR	**(5)**	**(2,252)**
2014		
If RMB weakens against EUR	5	5,501
If RMB strengthens against EUR	(5)	(5,501)
If HK$ weakens against EUR	5	18,238
If HK$ strengthens against EUR	(5)	(18,238)

NOTES TO FINANCIAL STATEMENTS

31 December 2015

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

CREDIT RISK

Credit risk for sales of mobile phones

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

The credit risk of the Group's other financial assets, which comprise cash and bank balances, bills receivable, deposits and other receivables, an amount due from a director, an amount due from a joint venture, available-for-sale instruments and loans receivable, 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. At the end of the reporting period, the Group had concentrations of credit risk as 75% (2014: 73%) of the Group's trade receivables were due from the Group's five largest customers.

The credit risk for pledged deposits and cash and bank balances is considered minimal as such amounts are placed with banks with good credit standing. Further quantitative data in respect of the Group's exposure to credit risk from trade receivables are disclosed in note 21 to the financial statements.

Credit risk for finance service

The credit risk for finance service arises from a customer's inability or unwillingness to meet its financial obligations to make timely payments under the loans the Group provided. Credit risk is primarily attributable to unexpired loans receivable. The maximum exposure to credit risk is represented by the net carrying amount of each type of financial assets as at the end of the reporting period.

The Group has taken measures to identify credit risks arising from finance service business. The Group manages credit risk at every stage of the risk management system, including pre-approval, review and credit approval and post-transaction monitoring processes. The Group conducts customer acceptance and due diligence by the business department and risk management department during the pre-approval process. During the post-transaction monitoring process, the Group conducts on-site inspection and ongoing post-transaction reviews focusing on various aspects, including but not limited to customers' product markets, operating income, assets and liabilities and cash flows from operating activities to detect potential risks.

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 and bills receivables) and projected cash flows from operations.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

42. 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		
	On demand and less than 1 year HK$'000	**1 to 5 years HK$'000**	**Total HK$'000**
Trade payables	**1,916,195**	**–**	**1,916,195**
Bills payable	**1,351,701**	**–**	**1,351,701**
Financial liabilities included in other payables and accruals	**1,720,328**	**–**	**1,720,328**
Interest-bearing bank and other borrowings	**1,223,813**	**163,537**	**1,387,350**
Due to a joint venture	**2,359**	**–**	**2,359**
Due to an associate	**706**	**–**	**706**
	6,215,102	**163,537**	**6,378,639**

	2014		
	On demand and less than 1 year HK$'000	1 to 5 years HK$'000	Total HK$'000
Trade payables	2,117,840	–	2,117,840
Bills payable	2,179,404	–	2,179,404
Financial liabilities included in other payables and accruals	1,562,566	–	1,562,566
Interest-bearing bank borrowings	597,177	1,739,089	2,336,266
Due to an associate	3,830	–	3,830
	6,460,817	1,739,089	8,199,906

NOTES TO FINANCIAL STATEMENTS

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42. 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. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2015 and 2014.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. Net debt includes interest-bearing bank and other borrowings, trade payables, bills payable, other payables and accruals, an amount due to an associate and an amount due to a joint venture, less cash and cash equivalents. Capital represents equity attributable to owners of the Company. The gearing ratios at the end of the reporting periods were as follows:

	2015 **HK$'000**	2014 HK$'000
Interest-bearing bank and other borrowings	**1,360,782**	2,163,422
Trade payables	**1,916,195**	2,117,840
Bills payable	**1,351,701**	2,179,404
Other payables and accruals	**2,081,268**	2,853,419
Due to a joint venture	**2,359**	–
Due to an associate	**706**	3,830
Less: Cash and cash equivalents	**(2,515,974)**	(2,959,143)
Net debt	**4,197,037**	6,358,772
Equity attributable to owners of the Company	**7,326,715**	3,353,321
Capital and net debt	**11,523,752**	9,712,093
Gearing ratio	**36%**	65%

NOTES TO FINANCIAL STATEMENTS

31 December 2015

43. EVENTS AFTER THE REPORTING PERIOD

a) On 18 September 2015, the Company entered into a Share Adjustment Framework Agreement (the "Share Adjustment Agreement") with Tech Time and Coolpad E-commerce, pursuant to which, among others, Coolpad E-commerce agreed to repurchase 6,800 shares (after the proposed share split in Share Adjustment Agreement) of Coolpad E-commerce held by the Company, representing a 25.5% equity interest (the "Disposal Interest") therein. As a consideration for the repurchase, Coolpad E-commerce would transfer certain intellectual property items to the Group so as to allow the Group to regain full control of the operation of its internet related business. The Share Adjustment Agreement was subject to the necessary approvals from all parties' board of directors, shareholders and the relevant regulatory authorities.

On 23 February 2016, the Company announced that the Share Adjustment Agreement was approved by the shareholders. The completion of the Share Adjustment Agreement would expect to take place within 2 months after the shareholders' approval.

Up to the date of this annual report, certain statutory procedures for the purpose of giving effect of the Share Adjustment Agreement had not yet been completed. Since the transfer of the above intellectual property items would not result in the recognition of a business or an asset, based on the most recent published financial statements of the Group, upon completion of the Share Adjustment Agreement, the Group would expect to record a loss of approximately HK$1,890 million.

b) On 17 February 2016, the Group proposed to issue 653,189,580 new ordinary shares at the subscription price of HK$1.10 per Rights Share on the basis of three Rights Shares for every twenty existing shares. The Rights Issue had been completed on 9 March 2016.

c) On 9 January 2015, the Company, Coolpad E-commence and Tech Time entered into a Shareholders' Agreement to regulate the respective shareholders' rights of the Company and Tech Time in Coolpad E-commence. Pursuant to the Shareholders' Agreement, among others, Tech Time was granted a Non-Competition Call and a Non-Competition Put Option that if the Company conducts business in competition with the business of Coolpad E-commerce, Tech Time shall have the right either to purchase the Company's shares in Coolpad E-commence or to sell its share in Coolpad E-commence to the Company.

On 8 September 2015, the Company received the notices from Tech Time which alleged that the Company had breached its non-competition undertakings under the Shareholders' Agreement and Tech Time was entitled to exercise its Non-Competition Put Option and sell its share in Coolpad E-commerce to the Company at a price of US$1,485,000,000. The Company was of view that the said allegations were unfounded.

On 18 September 2015, the Company, Tech Time and Coolpad E-commence signed a supplementary agreement to the Share Adjustment Agreement that the Company and Tech Time agreed to temporarily shelve disputes as stated above and agreed, among others, that the Non-Competition Put Option provisions in the Shareholders' Agreement would no longer be effective upon the completion of the Share Adjustment Agreement.

Notwithstanding that the Share Adjustment Agreement had not yet been completed up to the date of this annual report, taking into account the remaining statutory procedures giving effect of the Share Adjustment Agreement, the directors expect that the above disputes would be of no material impact on the Group's financial statements.

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31 December 2015

44. 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		
Property, plant and equipment	**52**	52
Investments in subsidiaries	**249,583**	203,455
Investment in a joint venture	**–**	–
Available-for-sale investment	**2,782**	3,159
Total non-current assets	**252,417**	206,666
CURRENT ASSETS		
Due from subsidiaries	**934,403**	2,701,666
Prepayments, deposits and other receivables	**70**	70
Pledged deposits	**–**	23,677
Cash and cash equivalents	**157,088**	210,870
Total current assets	**1,091,561**	2,936,283
CURRENT LIABILITIES		
Due to subsidiaries	**8,050**	725,194
Other payables and accruals	**805**	4,758
Interest-bearing bank borrowings	**310,040**	465,402
Total current liabilities	**318,895**	1,195,354
NET CURRENT ASSETS	**772,666**	1,740,929
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,025,083**	1,947,595
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**–**	1,324,068
Total non-current liabilities	**–**	1,324,068
Net assets	**1,025,083**	623,527
EQUITY		
Issued capital	**43,544**	42,950
Reserves *(Note)*	**981,539**	580,577
Total equity	**1,025,083**	623,527

NOTES TO FINANCIAL STATEMENTS

31 December 2015

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

Note:

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

	Share premium account HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Share award reserve HK$'000	Available-for-sale investment revaluation reserve HK$'000	Capital redemption reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 January 2014	375,136	44,992	95,743	41,787	–	1,870	388	18,289	578,205
Total comprehensive income for the year	–	–	–	–	(1,889)	–	–	(42,387)	(44,276)
Issue of bonus shares	(21,347)	–	–	–	–	–	–	–	(21,347)
Issue of shares upon exercise of share options	103,957	–	(32,079)	–	–	–	–	–	71,878
Equity-settled share option arrangements	–	–	37,254	–	–	–	–	–	37,254
Shares awarded under the Share Award Plan	–	–	–	1,777	–	–	–	–	1,777
Interim 2014 dividend	(42,914)	–	–	–	–	–	–	–	(42,914)
At 31 December 2014 and 1 January 2015	414,832	44,992	100,918	43,564	(1,889)	1,870	388	(24,098)	580,577
Total comprehensive income for the year	–	–	–	–	(377)	–	–	278,591	278,214
Issue of shares upon exercise of share options	101,499	–	(28,342)	–	–	–	–	–	73,157
Equity-settled share option arrangements	–	–	49,591	–	–	–	–	–	49,591
At 31 December 2015	516,331	44,992	122,167	43,564	(2,266)	1,870	388	254,493	981,539

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 March 2016.