



创意感动生活
The Creative Life

TCL MULTIMEDIA TECHNOLOGY HOLDINGS LIMITED

Stock code: 01070

The Creative Life

INTERIM REPORT
2016





TCL MULTIMEDIA TECHNOLOGY HOLDINGS LIMITED

INTERIM REPORT 2016





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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. LI Dongsheng (Chairman)
Mr. BO Lianming (Chief executive officer)
Mr. YAN Xiaolin
Ms. XU Fang

Non-Executive Directors

Mr. Albert Thomas DA ROSA, Junior
Mr. HUANG Xubin
Mr. Winston Shao-min CHENG (appointed as a non-executive director with effect from 11 May 2016)
Mr. Abulikemu ABULIMITI (appointed as a non-executive director with effect from 11 May 2016)

Independent Non-Executive Directors

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

COMPANY SECRETARY

Ms. PANG Siu Yin, Solicitor, Hong Kong (resigned as the company secretary with effect from 13 August 2016)
Ms. CHOY Fung Yee, Solicitor, Hong Kong (appointed as the company secretary with effect from 13 August 2016)

AUDITOR

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

LEGAL ADVISOR

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

PRINCIPAL REGISTRAR

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

BRANCH REGISTRAR

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

PRINCIPAL OFFICE

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

REGISTERED OFFICE

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

INVESTOR AND MEDIA RELATIONS

Cornerstones Communications Ltd.
Unit 1408-10, 14/F, Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong



INTERIM RESULTS

The board of directors (the “Board”) of TCL Multimedia Technology Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results and financial position of the Company and its subsidiaries (collectively, the “Group”) for the six months and three months ended 30 June 2016 with comparative figures for the previous periods as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Six months ended 30 June		Three months ended 30 June	
		2016 (unaudited) HK\$'000	2015 (unaudited) HK\$'000	2016 (unaudited) HK\$'000	2015 (unaudited) HK\$'000
TURNOVER	4	14,226,635	15,397,057	6,869,048	7,111,819
Cost of sales		(11,756,603)	(12,893,787)	(5,782,139)	(5,797,139)
Gross profit		2,470,032	2,503,270	1,086,909	1,314,680
Other revenue and gains		172,699	186,831	89,729	68,774
Selling and distribution expenses		(1,726,845)	(1,719,116)	(795,432)	(911,994)
Administrative expenses		(535,595)	(481,658)	(240,874)	(202,016)
Research and development costs		(203,727)	(288,498)	(93,802)	(158,195)
Other operating expenses		-	(2,124)	-	(2,118)
Finance costs	5	176,564 (46,700)	198,705 (82,348)	46,530 (18,579)	109,131 (46,506)
Share of profits and losses of:					
Joint ventures		(20,472)	(19,858)	(10,690)	(12,256)
Associates		6,502	(5,439)	6,098	(4,659)
PROFIT BEFORE TAX	6	115,894	91,060	23,359	45,710
Income tax credit/(expense)	7	(28,098)	31,355	(11,663)	36,584
PROFIT FOR THE PERIOD		87,796	122,415	11,696	82,294



INTERIM RESULTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

	Six months ended 30 June		Three months ended 30 June	
	2016 (unaudited) HK\$'000	2015 (unaudited) HK\$'000	2016 (unaudited) HK\$'000	2015 (unaudited) HK\$'000
	<i>Notes</i>			
OTHER COMPREHENSIVE INCOME/(LOSS)				
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:				
Cash flow hedge:				
Effective portion of changes in fair value of the hedging instruments arising during the period	2,650	12,064	30,489	(29,632)
Reclassification adjustments for losses/(gains) included in the consolidated statement of profit or loss	(5,299)	185	-	-
	(2,649)	12,249	30,489	(29,632)
Exchange fluctuation reserve:				
Translation of foreign operations	(103,004)	1,349	(126,836)	15,689
Release upon liquidation and disposal of subsidiaries	4,369	(400)	4,369	(400)
Release upon deemed partial disposal of an associate	-	1	-	1
	(98,635)	950	(122,467)	15,290
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	(101,284)	13,199	(91,978)	(14,342)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	(13,488)	135,614	(80,282)	67,952



INTERIM RESULTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

	Six months ended 30 June		Three months ended 30 June	
	2016 (unaudited) HK\$'000	2015 (unaudited) HK\$'000	2016 (unaudited) HK\$'000	2015 (unaudited) HK\$'000
	<i>Notes</i>			
Profit/(loss) attributable to:				
Owners of the parent	94,694	135,803	20,814	90,224
Non-controlling interests	(6,898)	(13,388)	(9,118)	(7,930)
	87,796	122,415	11,696	82,294
Total comprehensive income/(loss) attributable to:				
Owners of the parent	(4,482)	149,068	(68,424)	75,318
Non-controlling interests	(9,006)	(13,454)	(11,858)	(7,366)
	(13,488)	135,614	(80,282)	67,952
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9			
Basic	HK6.54 cents	HK10.25 cents		
Diluted	HK6.25 cents	HK10.16 cents		



INTERIM RESULTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2016 (unaudited) HK\$'000	31 December 2015 (audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		1,942,086	2,062,753
Prepaid land lease payments		127,880	131,849
Goodwill		134,933	134,933
Other intangible assets		1,272	1,428
Investments in joint ventures		35,589	46,118
Investments in associates		452,378	470,696
Available-for-sale investments		104,777	106,891
Deferred tax assets		24,173	25,840
Total non-current assets		2,823,088	2,980,508
CURRENT ASSETS			
Inventories		3,196,556	3,282,921
Trade receivables	10	5,198,866	5,537,759
Bills receivable		2,727,071	2,721,173
Other receivables		1,434,864	1,351,429
Tax recoverable		22,976	8,593
Pledged deposits		–	80,881
Cash and bank balances		2,680,839	2,214,927
Total current assets		15,261,172	15,197,683
CURRENT LIABILITIES			
Trade payables	11	5,646,965	5,540,820
Bills payable		859,027	1,656,855
Other payables and accruals		2,895,730	3,503,917
Interest-bearing bank and other borrowings	12	532,092	1,460,437
Due to T.C.L. Industries	13	–	7,751
Tax payable		58,618	129,471
Provisions		340,789	305,381
Total current liabilities		10,333,221	12,604,632
NET CURRENT ASSETS		4,927,951	2,593,051
TOTAL ASSETS LESS CURRENT LIABILITIES		7,751,039	5,573,559



INTERIM RESULTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		30 June 2016 (unaudited) HK\$'000	31 December 2015 (audited) HK\$'000
	Notes		
TOTAL ASSETS LESS CURRENT LIABILITIES		7,751,039	5,573,559
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	12	3,432	5,071
Due to T.C.L. Industries	13	1,094,519	1,131,617
Deferred tax liabilities		25,752	28,141
Total non-current liabilities		1,123,703	1,164,829
Net assets		6,627,336	4,408,730
EQUITY			
Equity attributable to owners of the parent			
Issued capital	14	1,736,424	1,386,361
Reserves		4,787,774	2,910,225
		6,524,198	4,296,586
Non-controlling interests		103,138	112,144
Total equity		6,627,336	4,408,730



INTERIM RESULTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent													
	Issued capital (unaudited) HK\$'000	Share premium account (unaudited) HK\$'000	Share option reserve (unaudited) HK\$'000	Capital reserve (unaudited) HK\$'000	Reserve funds (unaudited) HK\$'000	Hedging reserve (unaudited) HK\$'000	Exchange fluctuation reserve (unaudited) HK\$'000	Shares held for the Award Scheme (unaudited) HK\$'000	Awarded share reserve (unaudited) HK\$'000	Accumulated losses (unaudited) HK\$'000	Total (unaudited) HK\$'000	Non-controlling interests (unaudited) HK\$'000	Total equity (unaudited) HK\$'000	
At 1 January 2015	1,333,599	2,745,480	23,830	57,332	833,489	(185)	386,684	(52,172)	22,234	(881,162)	4,468,129	137,049	4,606,178	
Profit/(loss) for the period	-	-	-	-	-	-	-	-	-	135,803	135,803	(13,388)	122,415	
Other comprehensive income/(loss) for the period:														
Cash flow hedge	-	-	-	-	-	12,249	-	-	-	-	12,249	-	12,249	
Exchange differences on:														
Translation of foreign operations	-	-	-	-	-	-	1,415	-	-	-	1,415	(66)	1,349	
Release upon liquidation of a subsidiary	-	-	-	-	-	-	(400)	-	-	-	(400)	-	(400)	
Release upon deemed partial disposal of an associate	-	-	-	-	-	-	1	-	-	-	1	-	1	
Total comprehensive income/(loss) for the period	-	-	-	-	-	12,249	1,016	-	-	135,803	149,068	(13,454)	135,614	
2014 final dividend paid	-	(70,108)	-	-	-	-	-	-	-	-	(70,108)	-	(70,108)	
Acquisition of non-controlling interests	-	-	-	431	-	-	-	-	-	-	431	(1,888)	(1,457)	
Equity-settled share option arrangements	-	-	10,937	-	-	-	-	-	-	-	10,937	-	10,937	
Issue of shares upon exercise of share options	8,188	31,445	(12,891)	-	-	-	-	-	-	-	26,742	-	26,742	
Employee share-based compensation benefits under the Award Scheme	-	-	-	-	-	-	-	-	1,693	-	1,693	-	1,693	
Vesting of shares under the Award Scheme	-	-	-	-	-	-	-	17,737	5,630	-	23,367	-	23,367	
Transfer from retained profits	-	-	-	-	52,738	-	-	-	-	(52,738)	-	-	-	
At 30 June 2015	1,341,787	2,706,817	21,876	57,763	886,227	12,064	387,700	(34,435)	29,557	(798,097)	4,611,259	121,707	4,732,966	



INTERIM RESULTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to owners of the parent													
	Issued capital (unaudited) HK\$'000	Share premium account	Share option reserve	Capital reserve	Reserve funds	Hedging reserve	Exchange fluctuation reserve	Shares held for the Award Scheme	Awarded share reserve	Accumulated losses	Total (unaudited) HK\$'000	Non-controlling interests	Total equity	
		(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)		(unaudited)	(unaudited)	(unaudited)
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		HK\$'000	HK\$'000	HK\$'000
At 1 January 2016	1,386,361	2,710,269	66,170	57,762	885,277	5,299	97,035	(77,404)	72,786	(906,969)	4,296,586	112,144	4,408,730	
Profit/(loss) for the period	-	-	-	-	-	-	-	-	-	94,694	94,694	(6,898)	87,796	
Other comprehensive income/(loss) for the period:														
Cash flow hedge	-	-	-	-	-	(2,649)	-	-	-	-	(2,649)	-	(2,649)	
Exchange differences on:														
Translation of foreign operations	-	-	-	-	-	-	(100,896)	-	-	-	(100,896)	(2,108)	(103,004)	
Release upon disposal of subsidiaries	-	-	-	-	-	-	4,369	-	-	-	4,369	-	4,369	
Total comprehensive income/(loss) for the period	-	-	-	-	-	(2,649)	(86,527)	-	-	94,694	(4,482)	(9,006)	(13,488)	
Issue of shares under a subscription agreement	348,890	1,918,675	-	-	-	-	-	-	-	-	2,267,525	-	2,267,525	
Equity-settled share option arrangements	-	-	55,124	-	-	-	-	-	-	-	55,124	-	55,124	
Issue of shares upon exercise of share options	1,213	4,596	(1,905)	-	-	-	-	-	-	-	3,904	-	3,904	
Employee share-based compensation benefits under the Award Scheme	-	-	-	-	-	-	-	-	29,938	-	29,938	-	29,938	
Vesting of shares under the Award Scheme	-	-	-	-	-	-	-	6,815	(11,096)	-	(4,281)	-	(4,281)	
Purchase of shares for the Award Scheme	-	-	-	-	-	-	-	(120,116)	-	-	(120,116)	-	(120,116)	
At 30 June 2016	1,736,424	4,633,540 ^a	119,389 ^a	57,762 ^a	885,277 ^a	2,650 ^a	508 ^a	(190,705) ^a	91,628 ^a	(812,275) ^a	6,524,198	103,138	6,627,336	

* These reserve accounts comprise the consolidated reserves of HK\$4,787,774,000 (31 December 2015: HK\$2,910,225,000) in the consolidated statement of financial position.



INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2016	2015
	(unaudited)	(unaudited)
<i>Notes</i>	HK\$'000	HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash used in operations	(566,368)	(567,834)
Interest paid	(46,277)	(82,348)
Interest element of finance lease rental payments	(423)	–
Income taxes paid	(113,753)	(23,485)
Net cash flows used in operating activities	(726,821)	(673,667)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(37,268)	(85,723)
Prepayment of land lease payments	(55,821)	–
Disposal of subsidiaries	44,460	–
Decrease in pledged deposits	79,282	37,794
Other investing cash flows, net	16,783	39,935
Net cash flows from/(used in) investing activities	47,436	(7,994)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares under a subscription agreement	2,267,525	–
Purchase of shares for the Award Scheme	(120,116)	–
New bank and other loans	2,881,697	6,098,887
Repayment of bank and other loans	(3,811,362)	(4,978,682)
Dividends paid	–	(70,108)
Decrease in loans from T.C.L. Industries	(45,437)	(465,456)
Other financing cash flows, net	2,090	25,285
Net cash flows from financing activities	1,174,397	609,926
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		
	495,012	(71,735)
Cash and cash equivalents at beginning of period	2,214,927	3,379,369
Effect of foreign exchange rate changes, net	(29,100)	(178)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	2,680,839	3,307,456
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	2,680,839	3,307,456



INTERIM RESULTS

Notes:

1. BASIS OF PREPARATION

These unaudited interim condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2015.

The accounting policies and the basis of preparation adopted in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those adopted in the Group’s annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance, except for the adoption of the revised HKFRSs as disclosed in note 2 below.

These unaudited interim condensed consolidated financial statements have been prepared under the historical cost convention, except for derivative financial instruments, which have been measured at fair value. These unaudited interim condensed consolidated financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.



INTERIM RESULTS

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current period's unaudited interim condensed consolidated financial statements.

Amendments to HKFRS 10,
HKFRS 12 and HKAS 28 (2011)
Amendments to HKFRS 11

HKFRS 14
Amendments to HKAS 1
Amendments to HKAS 16 and
HKAS 38
Amendments to HKAS 16 and
HKAS 41

Amendments to HKAS 27 (2011)
Annual Improvements to HKFRSs
2012 – 2014 Cycle

*Investment Entities: Applying the Consolidation
Exception*

*Accounting for Acquisitions of Interests in Joint
Operations*

Regulatory Deferral Accounts

Disclosure Initiative

*Clarification of Acceptable Methods of Depreciation
and Amortisation*

Agriculture: Bearer Plants

Equity Method in Separate Financial Statements

Amendments to a number of HKFRSs

The adoption of these new and revised HKFRSs has had no significant financial effect on these unaudited interim condensed consolidated financial statements and there have been no significant changes to the accounting policies in the unaudited interim condensed consolidated financial statements.



INTERIM RESULTS

3. ISSUED BUT NOT YET EFFECTIVE HKFRSs

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

HKFRS 9	<i>Financial Instruments</i> ¹
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
HKFRS 15	<i>Revenue from Contracts with Customers</i> ¹
HKFRS 16	<i>Leases</i> ²

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

³ No mandatory effective date is determined but is available for early adoption

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.



INTERIM RESULTS

4. OPERATING SEGMENT INFORMATION

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

- (a) Television segment – manufacture and sale of television sets in:
 - the People’s Republic of China (“PRC”) market
 - the overseas markets; and
- (b) Others segment – comprises information technology, internet service and other businesses, including manufacture and sale of television related components, sale of white goods, mobile phones and air conditioners.

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



INTERIM RESULTS

4. OPERATING SEGMENT INFORMATION (continued)

Information regarding these reportable segments, together with their related comparative information, is presented below.

	Six months ended 30 June							
	Television – PRC market		Television – overseas markets		Others		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
HK\$'000		HK\$'000		HK\$'000		HK\$'000		
Sales to external customers	8,589,482	10,051,028	5,553,399	5,276,966	83,754	69,063	14,226,635	15,397,057
Segment results	197,554	518,160	123,152	(219,401)	13,931	(29,232)	334,637	269,527
Corporate expenses, net							(167,719)	(100,344)
Finance costs							(46,700)	(82,348)
Interest income							9,646	29,522
Share of profits and losses of:								
Joint ventures	-	-	6,034	(2,067)	(26,506)	(17,791)	(20,472)	(19,858)
Associates	(3,939)	49	-	-	10,441	(5,488)	6,502	(5,439)
Profit before tax							115,894	91,060
Income tax credit/(expense)							(28,098)	31,355
Profit for the period							87,796	122,415



INTERIM RESULTS

5. FINANCE COSTS

	Six months ended 30 June	
	2016	2015
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on:		
Bank loans and overdrafts	35,069	77,524
Loans from T.C.L. Industries	10,678	3,847
Loans from an associate	530	977
Finance leases	423	–
Total finance costs for the period	46,700	82,348

6. PROFIT BEFORE TAX

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The Group's profit before tax is arrived at after charging:

	Six months ended 30 June	
	2016	2015
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation	119,427	127,645
Amortisation of other intangible assets	115	204
Amortisation of prepaid land lease payments	1,918	2,130
Employee share-based compensation benefits		
under the Award Scheme	28,478	1,571
Equity-settled share option expense	53,459	10,937



INTERIM RESULTS

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (30 June 2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	Six months ended 30 June	
	2016 (unaudited) HK\$'000	2015 (unaudited) HK\$'000
Current tax – Hong Kong		
Charge for the period	–	2,242
Underprovision in prior periods	53	–
Current tax – Elsewhere		
Charge for the period	24,554	12,813
Underprovision/(overprovision) in prior periods	4,566	(44,837)
Deferred tax	(1,075)	(1,573)
Total tax expense/(credit) for the period	28,098	(31,355)

8. DIVIDENDS

The Board does not recommend the payment of any dividend for the six months ended 30 June 2016 (30 June 2015: Nil).



INTERIM RESULTS

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

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

	Six months ended 30 June	
	2016	2015
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000

Earnings

Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	94,694	135,803
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	Number of shares	
	Six months ended 30 June	
	2016	2015
	(unaudited)	(unaudited)

Shares

Weighted average number of ordinary shares in issue less shares held for the Award Scheme during the period used in the basic earnings per share calculation	1,447,511,680	1,324,970,448
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Effect of dilution – weighted average number of ordinary shares:		
Share options	30,127,594	11,113,413
Awarded shares	38,458,681	–

Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation	1,516,097,955	1,336,083,861
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INTERIM RESULTS

10. TRADE RECEIVABLES

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

In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	30 June 2016 (unaudited) HK\$'000	31 December 2015 (audited) HK\$'000
Current to 90 days	3,646,876	3,993,987
91 to 180 days	317,504	536,398
181 to 365 days	594,789	829,629
Over 365 days	639,697	177,745
	5,198,866	5,537,759

The Group has entered into certain receivables purchase agreements with banks for the factoring of trade receivables with certain designated customers. As at 31 December 2015, HK\$827,000 of trade receivables factored to banks were fully derecognised from the consolidated statement of financial position because, in the opinion of the directors, the Group had transferred substantially all the risks and rewards of ownership in respect of the relevant factored receivables to banks.



INTERIM RESULTS

11. TRADE PAYABLES

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

	30 June 2016 (unaudited) HK\$'000	31 December 2015 (audited) HK\$'000
Current to 90 days	5,402,824	5,308,227
91 to 180 days	74,974	89,545
181 to 365 days	66,994	52,823
Over 365 days	102,173	90,225
	5,646,965	5,540,820

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



INTERIM RESULTS

12. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2016 (unaudited) HK\$'000	31 December 2015 (audited) HK\$'000
Current		
Bank loans – unsecured	322,172	1,330,950
Trust receipt loans – unsecured	71,499	125,438
Finance lease payables	3,968	4,049
Loans from an associate – unsecured	134,453	–
	532,092	1,460,437
Non-current		
Finance lease payables	3,432	5,071
	535,524	1,465,508
Analysed into:		
Bank loans repayable:		
Within one year or on demand	393,671	1,456,388
Loans from an associate repayable:		
Within one year	134,453	–
Finance lease repayable:		
Within one year	3,968	4,049
In the second year	3,432	3,502
In the third year	–	1,569
	7,400	9,120
	535,524	1,465,508



INTERIM RESULTS

12. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

Notes:

- (a) As at 30 June 2016 and 31 December 2015, the carrying amounts of the Group's bank and other borrowings approximated to their fair values.
- (b) As at 30 June 2016, TCL Corporation ("TCL Corporation", the ultimate holding company of the Company) has guaranteed certain of the Group's bank loans up to HK\$45,504,000 (31 December 2015: HK\$720,850,000).

13. DUE TO T.C.L. INDUSTRIES

T.C.L. Industries Holdings (H.K.) Limited ("T.C.L. Industries") is the immediate holding company of the Company. The aggregate amounts due to T.C.L. Industries of HK\$1,094,519,000 (31 December 2015: HK\$1,139,368,000) are unsecured, bear interest at a fixed rate of 1.9564% and LIBOR+1.8% (31 December 2015: fixed rates of 0.8441% and 1.9564%, and LIBOR +1.8%) per annum, and is repayable in the second year (31 December 2015: HK\$7,751,000 was repayable within one year while the remaining amount of HK\$1,131,617,000 was repayable in the second year).



INTERIM RESULTS

14. SHARE CAPITAL

	30 June 2016 (unaudited) HK\$'000	31 December 2015 (audited) HK\$'000
Authorised:		
2,200,000,000 shares of HK\$1.00 each	2,200,000	2,200,000
Issued and fully paid:		
1,736,424,165 (31 December 2015: 1,386,361,214) shares of HK\$1.00 each	1,736,424	1,386,361

During the six months ended 30 June 2016, the movements in the Company's issued share capital account were as follows:

- (a) The subscription rights attaching to 1,024,000 and 188,951 share options were exercised at the subscription prices of HK\$3.17 and HK\$3.48 per share, respectively, resulting in the issue of an aggregate of 1,212,951 shares of HK\$1.00 each for a total cash consideration of HK\$3,904,000 before expenses.
- (b) On 11 December 2015, the Company entered into a subscription agreement with an independent subscriber, pursuant to which the subscriber agreed to subscribe and the Company agreed to allot and issue 348,850,000 new shares at HK\$6.50 per share for an aggregate subscription price of HK\$2,267,525,000. The subscription was completed on 11 May 2016.



INTERIM RESULTS

15. DISPOSAL OF SUBSIDIARIES

Six months ended 30 June 2016

On 4 March 2016, the Company and Barn Holding Pte. Limited, an independent third party, entered into a share purchase agreement pursuant to which the Company agreed to dispose 80% of its 100% equity interest in Million China International Holdings Limited ("Million China") to Barn Holding Pte. Limited for a consideration of approximately RMB45,253,000 (equivalent to approximately HK\$53,434,000), subject to certain consideration adjustments. Million China is an investment holding company and its subsidiary, Lekun Warehousing (Wuxi) Co., Ltd., is engaged in property holding. The disposal was completed on 30 May 2016.

Details of the net assets disposed of under the share purchase agreement and its financial impacts were summarised below:

	<i>HK\$'000</i> (unaudited)
Net assets disposed of:	
Prepaid land lease payments	55,197
Cash and bank balances	5,078
Other receivables	38
	60,313
Release of exchange fluctuation reserve upon disposal	4,369
Gain on disposal of subsidiaries	815
	65,497
Satisfied by:	
Cash	49,538
Other receivables	3,896
Fair value of the remaining interest in Million China	12,063
	65,497



INTERIM RESULTS

15. DISPOSAL OF SUBSIDIARIES (continued)

Six months ended 30 June 2016 (continued)

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

	<i>HK\$'000</i> (unaudited)
Cash consideration	49,538
Cash and bank balances disposed of	(5,078)
<hr/>	
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	44,460
<hr/>	



INTERIM RESULTS

16. RELATED PARTY TRANSACTIONS

- (a) The Group had the following material transactions with related parties during the period:

	Six months ended 30 June	
	2016 (unaudited) HK\$'000	2015 (unaudited) HK\$'000
A joint venture:		
Sales of finished goods	106,587	75,875
After-sale service income	268	276
TCL Corporation:		
Other finance service fees	-	1,200
T.C.L. Industries:		
Interest expense	10,678	3,847
An associate:		
Interest income	7,925	19,438
Interest expense	530	977
Other finance service fees	1,095	1,135
Companies controlled by TCL Corporation:		
Sales of raw materials	45,825	35,333
Sales of finished goods	1,241,060	1,241,015
Purchases of raw materials	2,743,015	3,575,125
Purchases of finished goods	25,392	695,189
Subcontracting fee expense	745	712
Subcontracting income	64	344
Rental, maintenance fees and facilities usage fees	4,674	7,333
Rental expense	389	1,991
Reimbursement of brand advertising costs	161,834	142,808
Logistics service fee expense	179,341	145,084
Reimbursement of research and development and rental expenses	28,754	41,119
After-sale service income	10,449	13,548
After-sale service fee	124,158	99,235
Internet television service income	2,272	-
Payment service fee	75	-
Associates of TCL Corporation:		
Purchases of raw materials	495,681	67,899
Sales of raw materials	353	335
Subcontracting fee expense	-	114
Service fee expense	29,048	31,398
Content income	743	887
Rental, maintenance fees and facilities usage fees	14	-
A substantial shareholder:		
Sales of finished goods	214,509	-
Purchases of raw materials	106,362	-



INTERIM RESULTS

16. RELATED PARTY TRANSACTIONS (continued)

- (b) Outstanding balances with related parties

	Due from related parties		Due to related parties	
	30 June 2016 (unaudited) HK\$'000	31 December 2015 (audited) HK\$'000	30 June 2016 (unaudited) HK\$'000	31 December 2015 (audited) HK\$'000
A joint venture	59,009	54,480	-	-
Associates	20,120	-	311	-
TCL Corporation and its affiliates	1,708,525	1,779,255	2,418,776	1,791,915
A substantial shareholder	353,119	-	-	-

17. COMPARATIVE AMOUNTS

Certain comparative amounts have been restated to conform to current period's presentation and disclosures.

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18. APPROVAL OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements was approved and authorised for issue by the Board on 12 August 2016.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW FOR THE SIX MONTHS ENDED 30 JUNE 2016

During the reporting period, television (“TV”) market demand in the PRC experienced stagnant growth. According to the report from China Market Monitor Co., Ltd. (“CMM”), overall sales volume of liquid-crystal-display (“LCD”) TVs in the PRC market in the first half of 2016 decreased by 6.8% year-on-year. Due to the year-on-year decline in average selling price of products caused by intensive market competition, continued depreciation of Renminbi as well as the decrease in panel price, the Group’s turnover for the first half of 2016 dropped year-on-year. Nevertheless, with the Group’s continuous improvement in product mix and operational efficiency during the period under review, gross profit margin rose from 16.3% in the same period of last year to 17.4%.

The Group’s turnover in the first half of 2016 was HK\$14.23 billion, falling by 7.6% year-on-year. Gross profit dropped slightly by 1.3% year-on-year to HK\$2.47 billion, gross profit margin rose from 16.3% in the same period of last year to 17.4%. Operating profit was HK\$180 million, net profit after tax was HK\$87.80 million. Profit attributable to owners of the parent amounted to HK\$94.69 million. Basic earnings per share was HK6.54 cents.

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The decline in turnover led to a higher expense ratio in the first half of 2016, coupled with shrinking gross profit margin triggered by market price decrease and panel price increase in the PRC market in the second quarter, the overall profit decreased year-on-year. The Group will adopt product mix adjustment and improvement with a view to increasing gross profit margin and profitability in the second half of the year.

The Group ranked No.3 in the global LCD TV market with a market share of 6.5% in the first quarter of 2016 according to the latest IHS Technology figures and Company data, and ranked No.3 in the PRC LCD TV market with a market share of 15.0% in the first half of 2016 according to CMM’s report.

The Group’s sales volume of LCD TVs by regions and the number of TCL smart TV users during the period under review were as follows:

	1H 2016 ('000 sets)	1H 2015 ('000 sets)	Change
LCD TVs	8,557	7,716	10.9%
of which: Smart TVs	4,085	2,286	78.7%
– PRC market	4,281	4,092 [^]	4.6%
– Overseas markets	4,276	3,624 [^]	18.0%

[^] Restated



MANAGEMENT DISCUSSION AND ANALYSIS

	Accumulated total as of 30 June 2016	June 2016	June 2015	Change	1H 2016	1H 2015	Change
Number of TCL activated smart TV users⁽¹⁾	14,557,671	343,559	429,035	(19.9%)	2,632,815	2,315,801	13.7%
Daily average number of active users⁽²⁾	N/A	6,244,653	3,440,254	81.5%	N/A	N/A	N/A

Notes:

- (1) Number of TCL activated smart TV users refers to the number of users who use the internet TV web service for more than once
- (2) Daily average number of active users refers to the number of unrepeat individual users who visit within 7 days

The PRC Market

In the first half of 2016, the Group's LCD TV sales volume in the PRC market increased by 4.6% year-on-year to 4.28 million sets, turnover fell by 14.5% year-on-year to HK\$8.59 billion. Mainly due to the intense market competition, 6.1% year-on-year depreciation in the average exchange rate of Renminbi against Hong Kong dollars in the first half of 2016 as well as the decline in panel price, the average selling price of TVs decreased by 18.3% year-on-year, which caused the gross profit margin to fall slightly from 20.9% in the same period of last year to 20.3%.



MANAGEMENT DISCUSSION AND ANALYSIS

With continued product mix enhancements, the proportion of mid-to-high-end products has been steadily increasing in the first half of 2016 (Data below excluded ODM business).

- Smart TV sales volume increased by 16.1% year-on-year to 2.28 million sets, which accounted for 62.6% of the LCD TV sales volume, rising from 50.7% in the same period of last year.
- 4K TV sales volume was 1.23 million sets, which accounted for 33.9% of the LCD TV sales volume, rising from 13.8% in the same period of last year.
- Market share of curved TVs was 30.8% in June 2016, maintaining its No.1 position among the domestic brands in the market (Source: CMM). The proportion of curved TV sales volume to the Group's LCD TV sales volume in the PRC market rose from 0.8% in the same period of last year to 7.4%.
- Proportion of the sales volume of products with screen size of 55 inches and above increased from 14.2% of LCD TV sales volume in the same period of last year to 25.4%.
- The average size of TVs sold increased from 41.1 inches in the same period of last year to 43.7 inches.

According to CMM's report, TCL's accumulated LCD TV brand price index increased from 84 in the same period of last year to 92 in June 2016, reducing the disparity among major competitors.

The Group continued to promote the integration of online and offline channels and strengthen co-promotion with multi-channels by carrying out cross-industry cooperation. Proportion of sales volume from electronic business sales channels increased from 14.1% in the first half of 2015 to 20.2% in the first half of 2016.



MANAGEMENT DISCUSSION AND ANALYSIS

Overseas Markets

Despite the decrease in the average selling price of products, the operating results of the Group's overseas markets have improved significantly along with continuously optimised sales channel establishment and product mix, and the increasing proportion of sales volume of high-end products such as big screen, 4K and curved TVs. Sales volume of LCD TVs in the first half of 2016 increased by 18.0% year-on-year to 4.28 million sets, turnover was up by 5.9% year-on-year to HK\$5.55 billion, gross profit margin rose to 12.5% from 7.5% in the same period of last year.

Performance in the overseas markets for the first half of 2016:

- In the North American market, LCD TV sales volume surged by 165.0% year-on-year, with its ranking of market share, in terms of sales volume, climbing from No.15 in the same period of last year to No.8 from January to June 2016 (Source: GfK).
- LCD TV sales volume in the emerging markets rose by 36.4% year-on-year, of which market shares, in terms of sales volume, in Thailand, Vietnam and Australia have increased. The Group ranked No.3, No.4 and No.5, respectively, in those markets from January to June 2016 (Source: GfK).
- LCD TV sales volume in the European market rose by 13.1% year-on-year. The Group ranked No.3 for market share, in terms of sales volume, in France from January to June 2016 (Source: GfK).
- LCD TV sales volume of the strategic ODM business was down by 1.8% when compared with that in the same period of last year.

With the launching of the China-Europe Block Train, transportation lead time between the PRC and Poland has been reduced from 38 days to 23 days, thereby greatly improving logistic efficiency of the Group, reducing costs and accelerating market response, as well as enhancing the Group's competitiveness and market share in Europe.



MANAGEMENT DISCUSSION AND ANALYSIS

Internet Business

Adhering to the development strategy of “double +” strategic transformation, the Group has actively established the TV+ service ecosystem, and built its ecosystem for living room economy that focuses on family users, committing to enhancing the operational efficiency of the TV+ and establishing mechanisms for the realisation of user value.

As of June 2016, the accumulated number of TCL activated smart TV users totalled 14,557,671, the daily average number of active users in June 2016 was 6,244,653 (Source: Huan Technology Co., Ltd.).

- Video-on-demand business totalled 13.86 million users, increasing by 21.8% when compared with the first quarter of 2016.
- GoLive business totalled 4.60 million users, increasing by 22.4% when compared with the first quarter of 2016.
- Gaming business totalled 7.07 million users, increasing by 21.9% when compared with the first quarter of 2016.
- Education business totalled 3.09 million users, increasing by 34.3% when compared with the first quarter of 2016.
- Lifestyle business totalled 2.10 million users, increasing by 50.0% when compared with the first quarter of 2016.
- Applications business totalled 10.79 million users, increasing by 12.6% when compared with the first quarter of 2016.

In the first half of 2016, the number of users from the Group’s internet businesses maintained steady growth and achieved a revenue of approximately RMB28.75 million. The Group’s total revenue from internet services for the year of 2016 is targeted to be approximately RMB100.00 million.



MANAGEMENT DISCUSSION AND ANALYSIS

R&D

During the reporting period, the Group strived to enhance its product mix and enrich its high-end product line. At the spring product launch presentation held on 7 April 2016, the Group introduced various new products, including high-end flagship products QUHD quantum dot X1 series TV. X1 was equipped with a built-in image processing engine, integrated multi-dimensional image enhancement technology and Wyatt colour quantum dot display material, it does not only far surpass the display technology of traditional LED (light emitting diode), but also performs even better in key areas such as colour display than OLED (organic light emitting diode), thereby setting new standards for picture quality of next-generation TVs.

Additionally, the Group has achieved a breakthrough in the research of the local dimming technology in thin products, which will be applied in its X1 series TV for the first time. The product has obtained Dolby Vision High Dynamic Range picture quality certification and Harman Kardon sound quality certification, reaching the industry's top level in picture and sound qualities, which fully reflects the Group's strong capabilities in scientific and technological innovations.

Furthermore, TCL L55 C2-CUDG product was awarded Germany's Red Dot Design Award 2016, representing high level recognition of the Group's innovative design by the industry. This award was established by the famous German design institution, The Design Zentrum Nordrhein Westfalen. With more than 50 years of history in Germany, it is recognised as the most prestigious award as well as the highest honour in the design community.



MANAGEMENT DISCUSSION AND ANALYSIS

Outlook

Faced with the challenges of global economy's slow recovery and the PRC's stagnant economic growth, along with the opportunities brought by the nation's "Belt and Road" initiative, the Group will continue to strengthen the establishment of its core competencies and promote strategic transformations of its twin drivers of "double +" and internationalisation. Moreover, the Group will further enhance its four core competitiveness to increase operational efficiency, optimise product mix to further enhance its TV market share, thus improving profitability and achieving sustainable growth.

1. The Group will enhance its four core competitiveness including product technology capabilities, industry capabilities, brand and globalisation capabilities and internet application service capabilities, so as to optimise product mix, enhance the influence of TCL brand and create greater value for users.
2. The Group will continue to implement the "double +" strategic transformation, establish an ecosystem for living room economy that focuses on TV+ smart TV platform and a competitive O2O (online to offline) business model, to further promote the integration of its online and offline operations. The Group will also deepen its strategic partnership with content providers to realise synergies and grasp the potential growth brought by the rapidly developing "Internet +" economy.
3. The Group will continue to pursue internationalisation, and actively implement the TV+ strategy in the overseas markets, as well as to optimise its product mix and expand diversified sales channels. It will also further consolidate and increase market share in the European and American markets, while forging competitiveness of the whole value chain by penetrating into key markets such as India, Brazil, etc. and rooting in the local markets, in order to enhance its layout in the overseas markets.

The Group is committed to achieving its LCD TV sales volume target of 20.00 million sets for the year of 2016. The Group will take full advantage of the resources and market position of TCL Corporation to continuously optimise its product mix. In addition to strengthening its competitiveness in the PRC market, it will also actively explore opportunities for internationalisation and establish the Group as a "global entertainment technology enterprise", thereby delivering long-term corporate value and returns to shareholders.



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Significant Investments, Acquisitions and Disposals

On 4 March 2016, the Company and Barn Holding Pte. Limited, an independent third party, entered into a share purchase agreement pursuant to which the Company agreed to dispose 80% of its 100% equity interest in Million China to Barn Holding Pte. Limited for a consideration of approximately RMB45,253,000 (equivalent to approximately HK\$53,434,000), subject to certain consideration adjustments. Million China is an investment holding company and its subsidiary, Lekun Warehousing (Wuxi) Co., Ltd., is engaged in property holding. The disposal was completed on 30 May 2016. Gain on disposal of subsidiaries amounted to approximately HK\$815,000 was recorded in profit or loss during the period under review.

Save as disclosed above, the Group had no other significant investment, acquisition and disposal during the period.

Liquidity and Financial Resources

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

The cash and bank balance of the Group as at 30 June 2016 amounted to approximately HK\$2,680,839,000, of which 2.0% was maintained in Hong Kong dollars, 48.3% in US dollars, 43.8% in Renminbi, 3.0% in Euro and 2.9% in other currencies for the overseas operation.

There was no material change in the available credit facilities when compared with those for the year ended 31 December 2015. The net carrying amounts of the Group's fixed assets held under finance leases included in the total amounts of furniture, fixtures and equipment and motor vehicles as at 30 June 2016 amounted to approximately HK\$4,443,000 (31 December 2015: HK\$5,057,000) and HK\$2,683,000 (31 December 2015: HK\$3,053,000), respectively.

As at 30 June 2016, the Group's gearing ratio was 0% since the Group's cash and bank balances of approximately HK\$2,680,839,000 were higher than the total interest-bearing borrowings of approximately HK\$1,630,043,000. The maturity profile of the borrowings ranged from one to two years.



MANAGEMENT DISCUSSION AND ANALYSIS

Pledge of Assets

As at 30 June 2016, no asset of the Group was pledged (31 December 2015: pledged deposits of the Group amounting to approximately HK\$80,881,000 were pledged for bills payable amounting to approximately HK\$75,986,000).

Capital Commitments and Contingent Liabilities

As at 30 June 2016, the Group had capital commitments of approximately HK\$19,751,000 (31 December 2015: HK\$20,858,000) and HK\$266,471,000 (31 December 2015: HK\$285,522,000) which were contracted but not provided for and authorised but not contracted for, respectively. There was no significant change in contingent liabilities of the Group compared to the position outlined in the Company's 2015 annual report.

Pending Litigation

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The Group was not involved in any material litigation as at 30 June 2016.

Foreign Exchange Exposure

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

It is the Group's policy to centralise foreign currency management to monitor its total foreign currency exposure, to net off affiliate positions and to consolidate hedging transactions with banks. The Group emphasises the importance of trading, investing and borrowing in functional currency to achieve natural hedging. In addition, in line with the aim of prudent financial management, the Group does not engage in any high risk derivative trading or leveraged foreign exchange contracts.



MANAGEMENT DISCUSSION AND ANALYSIS

Employee and Remuneration Policy

As at 30 June 2016, the Group had a total of 23,941 dynamic and talented employees. They were all dedicated to advancing the quality and reliability of our operations. Remuneration policy was reviewed regularly, making reference to current legislation, market condition and both the performance of individual and the Group. In order to align the interests of staff with those of shareholders, share options were granted to relevant grantees, including employees of the Group, under the Company's share option scheme. Share options for subscribing a total of 181,015,696 shares remained outstanding at the end of the reporting period.

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



OTHER INFORMATION

CHANGES OF PARTICULARS OF THE DIRECTORS

Certain particulars of a director have been changed in the following respects since the publication of the 2015 annual report of the Company, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

Effective Date	Change
1 August 2016	Professor SO Wai Man Raymond, an independent non-executive director of the Company, ceased to act as the dean of the School of Business at Hang Seng Management College and acted as the dean of the School of Continuing Education at the Hong Kong Baptist University

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

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As at 30 June 2016, the interests and short positions of the directors and chief executive in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), Cap. 571), 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 of Hong Kong Limited (the "Hong Kong Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules ("Model Code"), were as follows:



OTHER INFORMATION

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

(A) Interests in the Company – Long Positions

Name of director	Number of ordinary shares held			Number of underlying shares held under equity derivatives		Total	Approximate percentage of issued share capital of the Company (Note 9)
	Personal interests	Family interests	Other interests (Note 1)	Personal interests	Family interests		
LI Dongsheng	37,511,663	4,010,767	223,040	4,797,111	226,535	46,769,116*	2.693%
BO Lianming	772,310	-	1,534,414	6,448,245	-	8,754,969	0.504%
YAN Xiaolin	720	-	115,829	1,282,453	-	1,399,002	0.081%
XU Fang	259,621	-	1,024,805	3,714,715	-	4,999,141	0.288%
Albert Thomas							
DA ROSA, Junior	63,333	-	-	294,410	-	357,743	0.021%
HUANG Xubin	1,083,555	-	121,134	855,732	-	2,060,421	0.119%
Winston Shao-min CHENG	-	-	-	122,630	-	122,630	0.007%
Abulikemu ABULIMITI	-	-	-	122,630	-	122,630	0.007%
Robert Maarten							
WESTERHOF	30,000	-	-	327,743	-	357,743	0.021%
SO Wai Man Raymond	-	-	-	242,702	-	242,702	0.014%
WANG Yijiang	-	-	-	122,630	-	122,630	0.007%

* As at 30 June 2016, Mr. LI Dongsheng was deemed to be interested in 46,769,116 shares of the Company, comprising (a) 37,511,663 shares of the Company, share options for subscribing 4,797,111 shares of the Company, and 146,895 awarded shares of the Company, all being held by Mr. LI Dongsheng; and (b) 4,010,767 shares of the Company, share options for subscribing 226,535 shares of the Company and 76,145 awarded shares of the Company, all being held by the spouse of Mr. LI Dongsheng.



OTHER INFORMATION

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

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

TCL Corporation (Note 2)

Name of director	Number of ordinary shares held		Total	Approximate percentage of issued share capital of TCL Corporation (Note 9)
	Personal interests	Other interests		
LI Dongsheng	638,273,688	408,899,521 (Note 3)	1,047,173,209	8.574%
BO Lianming	4,058,801	–	4,058,801	0.033%
YAN Xiaolin	599,500	–	599,500	0.005%
HUANG Xubin	3,383,380	–	3,383,380	0.028%



OTHER INFORMATION

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

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

TCL Communication (Note 4)

Name of director	Number of ordinary shares held			Number of underlying shares held under equity derivatives		Total	Approximate percentage of issued share capital of TCL Communication (Note 9)
	Personal interests	Family interests	Other interests (Note 5)	Personal interests	Family interests		
LI Dongsheng	47,144,850	3,787,200	212,995	3,067,217	64,283	54,276,545*	4.255%
BO Lianming	65,700	-	-	70,000	-	135,700	0.011%
YAN Xiaolin	536	-	41,071	143,690	-	185,297	0.015%
XU Fang	13,655	-	27,310	95,411	-	136,376	0.011%
HUANG Xubin	21,474	-	42,948	1,166,081	-	1,230,503	0.096%

* As at 30 June 2016, Mr. LI Dongsheng was deemed to be interested in 54,276,545 shares of TCL Communication, comprising (a) 47,144,850 shares of TCL Communication, share options for subscribing 3,067,217 shares of TCL Communication, and 194,595 awarded shares of TCL Communication, all being held by Mr. LI Dongsheng; and (b) 3,787,200 shares of TCL Communication, share options for subscribing 64,283 shares of TCL Communication, and 18,400 awarded shares of TCL Communication, all being held by the spouse of Mr. LI Dongsheng.



OTHER INFORMATION

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

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

Tonly Holdings (Note 6)

Name of director	Number of ordinary shares held		Total	Approximate percentage of issued share capital of Tonly Holdings (Note 9)
	Personal interests	Family interests		
LI Dongsheng	5,306,968	380,700	5,687,668*	2.283%
BO Lianming	28,653	–	28,653	0.011%
XU Fang	7,768	–	7,768	0.003%
Albert Thomas DA ROSA, Junior	5,476	–	5,476	0.002%
HUANG Xubin	4,325	–	4,325	0.002%
Robert Maarten WESTERHOF	2,142	–	2,142	0.0009%

* As at 30 June 2016, Mr. LI Dongsheng was deemed to be interested in 5,687,668 shares of Tonly Holdings, comprising (a) 5,306,968 shares of Tonly Holdings held by Mr. LI Dongsheng; and (b) 380,700 shares of Tonly Holdings held by the spouse of Mr. LI Dongsheng.

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

CSOT (Note 7)

Name of director	Number of ordinary shares held (Note 8)	Approximate percentage of issued share capital of CSOT (Note 8)



OTHER INFORMATION

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

Notes:

1. The shares are the awarded shares that have been granted to the relevant directors or their associates under the Award Scheme of the Company and were not vested as at 30 June 2016.
2. TCL Corporation, a joint stock company established under the laws of the PRC, is the ultimate controlling shareholder of the Company and hence an associated corporation of the Company under Part XV of the SFO.
3. The shares are held by Xinjiang Jiutian Liancheng Equity Investment Partnership Enterprise (Limited Partnership) ("Jiutian"). As at 30 June 2016, Mr. LI Dongsheng was a limited partner of Jiutian and held approximately 70.21% of Jiutian. Huizhou Dongxu Zhiyue Equity Investment Management Co., Ltd. ("Dongxu") was the general partner of Jiutian and held approximately 0.12% of Jiutian, and Mr. LI Dongsheng held approximately 51.00% of Dongxu.
4. TCL Communication Technology Holdings Limited ("TCL Communication") is a subsidiary of TCL Corporation and hence an associated corporation of the Company under Part XV of the SFO.
5. The shares are the awarded shares that have been granted to the relevant directors or their associates under the award scheme of TCL Communication and were not vested as at 30 June 2016.
6. Tonly Electronics Holdings Limited ("Tonly Holdings") is a subsidiary of TCL Corporation and hence an associated corporation of the Company under Part XV of the SFO.
7. Shenzhen China Star Optoelectronics Technology Co., Ltd. ("CSOT") is a subsidiary of TCL Corporation and hence an associated corporation of the Company under Part XV of the SFO.
8. CSOT is a PRC entity without share capital. As at 30 June 2016, Mr. BO Lianming was deemed to be interested in CSOT since he owned Tibet Shannan Star Ripple Venture Capital Partnership (Limited Partnership) as to approximately 59.04%, which in turn was interested in CSOT.
9. Such percentage was calculated based on the total number of shares and underlying shares of the Company or the relevant associated corporation (as the case may be) in which the relevant director was interested as notified to the Company and disclosed on the website of the Hong Kong Stock Exchange pursuant to Part XV of the SFO, against the number of the issued shares of the Company or the relevant associated corporation (as the case may be) as at 30 June 2016.



OTHER INFORMATION

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

Save as disclosed above, as at 30 June 2016, none of the directors and chief executive and their associates had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2016, the interests and short positions of the persons, other than the directors or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in shares of the Company

Name of shareholder	Capacity	Number of ordinary shares held	Approximate percentage of issued share capital of the Company
TCL Corporation	Interest of controlled corporation	904,722,475 (Note 1)	52.10% (Note 2)
JIA Yueting	Interest of controlled corporation	348,850,000 (Note 3)	20.09% (Note 2)
Leshi Internet Information and Technology Corp., Beijing ("Leshi Beijing")	Interest of controlled corporation	348,850,000 (Note 3)	20.09% (Note 2)
Leshi Zhixin Electronic & Technology Co., Tianjin ("Leshi Zhixin")	Interest of controlled corporation	348,850,000 (Note 3)	20.09% (Note 2)
Letv ZhiXin Investment (HK) Limited ("Letv ZhiXin")	Beneficial owner	348,850,000 (Note 3)	20.09% (Note 2)



OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES (continued)

Notes:

1. TCL Corporation was deemed to be interested in 904,722,475 shares of the Company held by T.C.L. Industries, a direct wholly-owned subsidiary of TCL Corporation. The Company has been notified by TCL Corporation that the shareholding of T.C.L. Industries in the Company as at 30 June 2016 was 905,322,475 shares of the Company. However, the increase of such holding did not give rise to any disclosure obligation under the SFO.
2. Such percentage was calculated based on the number of shares in which the relevant substantial shareholder was interested as notified to the Company and disclosed on the website of the Hong Kong Stock Exchange pursuant to Part XV of the SFO against the number of the issued shares of the Company as at 30 June 2016, being 1,736,424,165 shares in issue.
3. Pursuant to the subscription agreement entered into between the Company and Leshi Zhixin on 11 December 2015, Letv ZhiXin, a direct wholly-owned subsidiary of Leshi Zhixin designated by Leshi Zhixin, subscribed and paid for 348,850,000 fully paid subscription shares at the subscription price of HK\$6.50 per subscription share, which was completed on 11 May 2016. Each of Mr. JIA Yueting, Leshi Beijing and Leshi Zhixin was deemed to be interested in the 348,850,000 shares of the Company held by Letv ZhiXin because Letv ZhiXin is controlled by Leshi Zhixin, which in turns is controlled by Leshi Beijing whereas Leshi Beijing is controlled by Mr. JIA Yueting.

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Save as disclosed above, as at 30 June 2016, no person, other than the directors and chief executive of the Company whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above, had notified the Company of an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.



OTHER INFORMATION

SHARE OPTION SCHEME

The Company adopted the share option scheme on 15 February 2007 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. By a shareholders' resolution passed in the annual general meeting held on 18 May 2016, the new share option scheme was adopted and the existing share option scheme was terminated. Eligible participants of the share option scheme include the Company's directors, (including independent non-executive directors), other employees of the Group, advisers, consultants, agents, contractors, suppliers of goods or services to the Group, customers of the Group, the Company's shareholders, any non-controlling shareholder in the Company's subsidiaries and any other person whom the Board at its sole discretion considers may contribute or have contributed to the Group. The new share option scheme became effective on 18 May 2016 and, unless otherwise terminated or amended, will remain in force for 10 years from that date.

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

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

Details of the new share option scheme were set out in the circular dated 18 April 2016.

As at 30 June 2016, the number of shares of the Company that could be issued upon exercise of (i) all outstanding share options; and (ii) all share options that could be granted under the then available scheme mandate limit were 181,015,696 and 158,537,438, respectively, which represented about 10.42% and 9.13% of the issued shares of the Company as at 30 June 2016, respectively.



OTHER INFORMATION

SHARE OPTION SCHEME (continued)

The following share options were outstanding under the share option scheme during the period:

Name or category of participant	Number of share options					Date of grant of share options	Exercise price of share options HK\$	Exercise period of share options	Price of the Company's shares		
	At 1 January 2016	Reclassification	Granted during the period	Exercised during the period	Lapsed during the period				At 30 June 2016	At grant date HK\$	At exercise date HK\$
Directors											
<i>Executive directors</i>											
LI Dongsheng	1,325,733	-	-	-	-	1,325,733	5-Jul-11	3.17	Note 1	3.17	N/A
	3,000,634	-	-	-	-	3,000,634	9-Mar-15	4.60	Note 2	4.60	N/A
	270,610	-	-	-	-	270,610	31-Aug-15	3.48	Note 3	3.48	N/A
	-	-	200,134	-	-	200,134	2-Jun-16	4.50	Note 4	4.50	N/A
	4,596,977	-	200,134	-	-	4,797,111					
BO Lianming	446,977	-	-	-	-	446,977	5-Jul-11	3.17	Note 1	3.17	N/A
	6,001,268	-	-	-	-	6,001,268	9-Mar-15	4.60	Note 2	4.60	N/A
	6,448,245	-	-	-	-	6,448,245					
YAN Xiaolin	106,300	-	-	(106,000)	-	300	5-Jul-11	3.17	Note 1	3.17	5.14
	979,912	-	-	-	-	979,912	9-Mar-15	4.60	Note 2	4.60	N/A
	228,651	-	-	(76,000)	-	152,651	31-Aug-15	3.48	Note 3	3.48	5.14
	-	-	149,590	-	-	149,590	2-Jun-16	4.50	Note 4	4.50	N/A
	1,314,863	-	149,590	(182,000)	-	1,282,453					
XU Fang	423,067	-	-	-	-	423,067	5-Jul-11	3.17	Note 1	3.17	N/A
	841,091	-	-	-	-	841,091	9-Mar-15	4.60	Note 2	4.60	N/A
	2,227,596	-	-	-	-	2,227,596	31-Aug-15	3.48	Note 3	3.48	N/A
	-	-	222,961	-	-	222,961	2-Jun-16	4.50	Note 4	4.50	N/A
	3,491,754	-	222,961	-	-	3,714,715					
15,851,839	-	572,685	(182,000)	-	16,242,524						



OTHER INFORMATION

SHARE OPTION SCHEME (continued)

Name or category of participant	Number of share options					At 30 June 2016	Date of grant of share options	Exercise price of share options HK\$	Exercise period of share options	Price of the Company's shares	
	At 1 January 2016	Reclassification	Granted during the period	Exercised during the period	Lapsed during the period					At grant date HK\$	At exercise date HK\$
<i>Non-Executive directors</i>											
Albert Thomas DA ROSA, Junior	100,000	-	-	-	-	100,000	5-Jul-11	3.17	Note 1	3.17	N/A
	194,410	-	-	-	-	194,410	9-Mar-15	4.60	Note 2	4.60	N/A
	294,410	-	-	-	-	294,410					
HUANG Xubin	265,767	-	-	-	-	265,767	5-Jul-11	3.17	Note 1	3.17	N/A
	194,410	-	-	-	-	194,410	9-Mar-15	4.60	Note 2	4.60	N/A
	239,098	-	-	-	-	239,098	31-Aug-15	3.48	Note 3	3.48	N/A
	-	-	156,457	-	-	156,457	2-Jun-16	4.50	Note 4	4.50	N/A
699,275	-	156,457	-	-	855,732						
Winston Shao-min CHENG*	-	-	122,630	-	-	122,630	2-Jun-16	4.50	Note 4	4.50	N/A
Abulikemu ABULIMIT**	-	-	122,630	-	-	122,630	2-Jun-16	4.50	Note 4	4.50	N/A
TANG Guliang***	194,410	(194,410)	-	-	-	-	9-Mar-15	4.60	Note 2	4.60	N/A
Robert Maarten WESTERHOF	133,333	-	-	-	-	133,333	5-Jul-11	3.17	Note 1	3.17	N/A
	194,410	-	-	-	-	194,410	9-Mar-15	4.60	Note 2	4.60	N/A
	327,743	-	-	-	-	327,743					
SO Wai Man Raymond	242,702	-	-	-	-	242,702	31-Aug-15	3.48	Note 3	3.48	N/A
WANG Yijiang****	-	-	122,630	-	-	122,630	2-Jun-16	4.50	Note 4	4.50	N/A
	1,758,540	(194,410)	524,347	-	-	2,088,477					
Associate(s) of Director(s)											
ICHIKAWA Yuki (WEI Xue) (Spouse of Mr. LI Dongsheng)	102,434	-	-	-	-	102,434	31-Aug-15	3.48	Note 3	3.48	N/A
	-	-	124,101	-	-	124,101	2-Jun-16	4.50	Note 4	4.50	N/A
	102,434	-	124,101	-	-	226,535					
Other employees and those who have contributed or may contribute to the Group											
	3,010,601	-	-	(918,000)	-	2,092,601	5-Jul-11	3.17	Note 1	3.17	4.75
	31,341,080	194,410	-	-	(2,170,282)	29,365,208	9-Mar-15	4.60	Note 2	4.60	N/A
	123,833,467	-	-	(112,951)	(6,588,848)	117,131,668	31-Aug-15	3.48	Note 3	3.48	4.63
	-	-	13,886,087	-	(17,404)	13,868,683	2-Jun-16	4.50	Note 4	4.50	N/A
	158,185,148	194,410	13,886,087	(1,030,951)	(8,776,534)	162,458,160					
	175,897,961	-	15,107,220	(1,212,951)	(8,776,534)	181,015,696					



OTHER INFORMATION

SHARE OPTION SCHEME (continued)

Note 1 One-ninth of such share options are exercisable after the expiry of 18 months from the date of grant, a further three-ninths are exercisable after the expiry of 30 months from the date of grant, and the remaining five-ninths are exercisable after the expiry of 42 months from the date of grant, up to 4 July 2017.

Note 2 One-third of such share options are exercisable commencing from 9 January 2017, a further one-third are exercisable commencing from 9 January 2018, and the remaining one-third are exercisable commencing from 9 January 2019, up to 8 March 2021.

Note 3 For share options granted to the employees of the Group, approximately one-third of such share options are exercisable commencing from 9 January 2017, a further approximately one-third are exercisable commencing from 9 January 2018, and the remaining approximately one-third are exercisable commencing from 9 January 2019, up to 30 August 2021.

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

Note 4 For share options granted to the employees of the Group, approximately 13% of such share options are exercisable commencing from 9 January 2017, a further approximately 43% are exercisable commencing from 9 January 2018, and the remaining approximately 44% are exercisable commencing from 9 January 2019, up to 1 June 2022.

For share options granted to the employees of TCL Corporation, approximately one-third of such share options are exercisable commencing from 31 December 2016, a further approximately one-third are exercisable commencing from 31 December 2017, and the remaining approximately one-third are exercisable commencing from 31 December 2018, up to 1 June 2022.

* Mr. Winston Shao-min CHENG was appointed as a non-executive director of the Company with effect from 11 May 2016.

** Mr. Abulikemu ABULIMITI was appointed as a non-executive director of the Company with effect from 11 May 2016.

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

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



OTHER INFORMATION

AWARD SCHEME

The Company adopted the Award Scheme on 6 February 2008. By a shareholders' resolution passed in the extraordinary general meeting held on 11 August 2015, the Award Scheme was amended. The Company has appointed the Trustee for the administration of the Award Scheme. To the best knowledge and belief of the Company, the Trustee is an independent third party to the Company. No one, including the Trustee, may exercise any voting rights in respect of the awarded shares held by the Trustee.

Details of the Award Scheme and the amendments were set out in the announcements dated 6 February 2008 and 25 June 2015, respectively, and the circulars dated 19 March 2008 and 27 July 2015, respectively.

Information in relation to the Award Scheme was as follows:

Number of awarded shares				
Granted but not vested as at 1 January 2016 '000	Granted during the period '000	Vested during the period '000	Lapsed during the period '000	Granted but not vested as at 30 June 2016 '000
41,266	1,695	(6,086)	(3,497)	33,378

As at 30 June 2016, 94,866,873 further awarded shares might be granted to the eligible participants of the Award Scheme, which represented approximately 5.46% of the issued share capital of the Company as at 30 June 2016.

The expenses in relation to the Award Scheme recorded for the six months ended 30 June 2016 were approximately HK\$28,478,000.

PURCHASES, SALE OR REDEMPTION OF SHARES

There was no purchase, sale or redemption of shares for the six months ended 30 June 2016.



OTHER INFORMATION

CORPORATE GOVERNANCE

The Company has established and will continue to optimise risk management and internal control system. The Company reports to the Board and the subordinated audit committee (“Audit Committee”) the governance situation and the improvement progress of the Company regularly to strengthen the collaboration on corporate governance between the Board and the management continuously, and fulfill the respective responsibilities in terms of corporate governance.

None of the directors of the Company is aware of any information which would reasonably indicate that the Company had not, throughout the six months ended 30 June 2016, complied with the code provisions (the “Code Provisions”) set out in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules, except for the deviation from the Code Provisions A.6.7, D.1.4 and F.1.1. The reason for the deviation from the Code Provision F.1.1 remains the same as that stated in the Company’s 2015 annual report.

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

Due to other pre-arranged business commitments which must be attended to by each of them, Mr. HUANG Xubin, Mr. Winston Shao-min CHENG and Mr. Abulikemu ABULIMITI, all being non-executive directors of the Company; and Mr. Robert Maarten WESTERHOF and Professor WANG Yijiang, both being independent non-executive directors of the Company, were not present at the annual general meeting of the Company held on 18 May 2016. However, Mr. Albert Thomas DA ROSA, Junior, being a non-executive director of the Company; and Dr. TSENG Shieng-chang Carter and Professor SO Wai Man Raymond, both being independent non-executive directors of the Company, were present at the annual general meeting to ensure an effective communication with the shareholders thereat.

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

The Company has no formal letters of appointment for its directors (except for Mr. YAN Xiaolin, Ms. XU Fang, Mr. Winston Shao-min CHENG, Mr. Abulikemu ABULIMITI, Professor SO Wai Man Raymond and Professor WANG Yijiang) as most of them have been serving as directors for a considerable period of time, a clear understanding of the terms and conditions of their appointment already exists between the Company and the directors, and so there is no written record of the same. In any event, all directors, including those without a letter of appointment and those appointed for a specific term, shall be subject to retirement by rotation in the manner prescribed under the articles of association of the Company, and on re-election of the retiring directors, shareholders are given information that is reasonably necessary for them to make an informed decision on the reappointment of the relevant directors.



OTHER INFORMATION

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's unaudited interim condensed consolidated financial statements for the six months ended 30 June 2016, including the accounting principles adopted by the Group, with the Company's management. The Audit Committee comprises four members including Professor SO Wai Man Raymond (Chairman), Dr. TSENG Shiang-chang Carter and Professor WANG Yijiang, all being independent non-executive directors of the Company, and Mr. HUANG Xubin, a non-executive director of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

The Company has adopted a model code of conduct regarding securities transactions by directors of the Company on terms no less exacting than the required standard as set out in the Model Code. Specific enquiries have been made with all directors who have confirmed that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions during the period.

On behalf of the Board

LI Dongsheng

Chairman

Hong Kong, 12 August 2016

As at the date of this report, the Board comprises LI Dongsheng, BO Lianming, YAN Xiaolin and XU Fang as executive directors, Albert Thomas DA ROSA, Junior, HUANG Xubin, Winston Shao-min CHENG and Abulikemu ABULIMITI as non-executive directors and Robert Maarten WESTERHOF, TSENG Shiang-chang Carter, SO Wai Man Raymond and WANG Yijiang as independent non-executive directors.