



TCL

TCL DISPLAY TECHNOLOGY HOLDINGS LIMITED

TCL 顯示科技控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 334)



Interim Report

2016





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CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-Executive Director

Mr. YUAN Bing (Chairman)

Executive Directors

Mr. Li Yuguo (resigned on 10 March 2016)
Mr. LI Jian (Chief executive officer)
Mr. OUYANG Hongping
Ms. YANG Yunfang
Mr. ZHAO Yong (appointed on 10 March 2016)

Independent Non-Executive Directors

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

COMPANY SECRETARY

Ms. CHOY Fung Yee, Solicitor, Hong Kong

AUDITOR

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

LEGAL ADVISOR

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

COMPLIANCE ADVISER

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

PRINCIPAL SHARE REGISTRAR

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

BRANCH SHARE REGISTRAR

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

INVESTOR AND MEDIA RELATIONS

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

TICKER SYMBOL

Listed on The Stock Exchange of Hong Kong
Limited under the share ticker number 00334

WEBSITE

<http://www.tcldisplay.com>

INTERIM RESULTS

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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2016

	Notes	For the six months ended 30 June	
		2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
REVENUE	5	1,449,610	958,977
Cost of sales		(1,404,626)	(895,293)
Gross profit		44,984	63,684
Other income and gains	5	19,269	12,397
Selling and distribution expenses		(18,367)	(15,892)
Administrative expenses		(35,411)	(27,032)
Listing expense		-	(140,844)
Other expenses		(1,864)	(302)
Finance costs	7	(7,949)	(2,994)
PROFIT/(LOSS) BEFORE TAX	6	662	(110,983)
Income tax benefit	8	3,348	10,998
PROFIT/(LOSS) FOR THE PERIOD		4,010	(99,985)
Attributable to:			
Owners of the parent		4,010	(99,985)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10		
Basic		RMB0.23 cents	RMB(16.59) cents
Diluted		RMB0.23 cents	RMB(16.59) cents

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	For the six months ended 30 June	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
PROFIT/(LOSS) FOR THE PERIOD	4,010	(99,985)
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(1,711)	265
Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods	(1,711)	265
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	(1,711)	265
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	2,299	(99,720)
Attributable to:		
Owners of the parent	2,299	(99,720)

INTERIM RESULTS

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2016

		30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		184,804	164,171
Intangible assets		96	78
Deposits paid for purchase of items of property, plant and equipment		9,593	10,345
Deferred tax assets		16,089	18,477
Total non-current assets		210,582	193,071
CURRENT ASSETS			
Inventories	11	281,346	158,213
Trade and bills receivables	12	947,770	597,538
Prepayments, deposits and other receivables		72,331	98,663
Cash and cash equivalents	13	277,435	286,605
Total current assets		1,578,882	1,141,019
CURRENT LIABILITIES			
Trade and bills payables	14	1,102,642	810,176
Other payables and accruals		156,131	173,944
Interest-bearing bank borrowings	15	180,000	137,185
Tax payable		21,511	35,795
Total current liabilities		1,460,284	1,157,100
NET CURRENT ASSETS/(LIABILITIES)		118,598	(16,081)
TOTAL ASSETS LESS CURRENT LIABILITIES		329,180	176,990

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 June 2016

		30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
	<i>Note</i>		
NON-CURRENT LIABILITIES			
Deferred income		13,655	13,405
Bonds payable		59,829	58,646
<hr/>			
Total non-current liabilities		73,484	72,051
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Net assets		255,696	104,939
<hr/>			
EQUITY			
Equity attributable to owners of the parent			
Share capital	16	160,632	138,561
Reserves		95,064	(33,622)
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Total equity		255,696	104,939
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INTERIM RESULTS

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Notes	Share capital RMB'000	Convertible bond reserve RMB'000	Share premium account RMB'000	Capital reserve RMB'000	Share option reserve RMB'000	Awarded share reserve RMB'000	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated loss RMB'000	Total equity RMB'000
At 1 January 2016		138,561	-	109,572	(77,970)	-	-	34,482	(4,633)	(95,073)	104,939
Profit for the period		-	-	-	-	-	-	-	-	4,010	4,010
Other comprehensive loss for the period:											
Exchange differences on translation of foreign operations		-	-	-	-	-	-	-	(1,711)	-	(1,711)
Total comprehensive income for the period		-	-	-	-	-	-	-	(1,711)	4,010	2,299
Issue of shares	16	22,071	-	114,766	-	-	-	-	-	-	136,837
Share issue expenses	16	-	-	(3,154)	-	-	-	-	-	-	(3,154)
Share award scheme arrangement	17	-	-	-	-	-	9,873	-	-	-	9,873
Equity-settled share option arrangement	18	-	-	-	-	4,902	-	-	-	-	4,902
At 30 June 2016 (unaudited)		160,632	-	221,184*	(77,970)*	4,902*	9,873*	34,482*	(6,344)*	(91,063)*	255,696

* These reserve accounts comprise the positive reserves of RMB95,064,000 (31 December 2015: negative reserve of RMB33,622,000) in the condensed consolidated statement of financial position.

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2016

	Note	Share capital RMB'000	Convertible bond reserve RMB'000	Share premium account RMB'000	Capital reserve RMB'000	Share option reserve RMB'000	Awarded share reserve RMB'000	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated loss RMB'000	Total equity RMB'000
At 1 January 2015		60,880	-	-	39,149	-	-	26,755	-	67,106	193,890
Loss for the period		-	-	-	-	-	-	-	-	(99,985)	(99,985)
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations		-	-	-	-	-	-	-	265	-	265
Total comprehensive loss for the period		-	-	-	-	-	-	-	265	(99,985)	(99,720)
Acquisition of a subsidiary		29,927	157,326	-	(117,119)	-	-	-	-	-	70,134
Dividends recognised as distribution	9	-	-	-	-	-	-	-	-	(84,915)	(84,915)
Transfer from retained profits		-	-	-	-	-	-	9,680	-	(9,680)	-
At 30 June 2015 (unaudited)		90,807	157,326	-	(77,970)	-	-	36,435	265	(127,474)	79,389

INTERIM RESULTS

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Notes	For the six months ended 30 June	
		2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		662	(110,983)
Adjustments for:			
Finance costs	7	7,949	2,994
Bank interest income	5	(2,133)	(776)
Depreciation	6	22,915	10,199
Amortisation of intangible assets	6	29	27
(Recovery)/write-down of inventories to net realisable value	6	(3,586)	11,184
Awarded share expense	17	9,873	–
Share option expense	18	4,902	–
Listing expense		–	140,844
		40,611	53,489
(Increase)/decrease in inventories		(119,547)	40,523
Increase in trade and bills receivables		(350,232)	(10,078)
Decrease/(increase) in prepayments, deposits and other receivables		26,332	(13,070)
Increase/(decrease) in trade and bills payables		292,466	(56,801)
Decrease in other payables and accruals		(20,766)	(29,978)
Increase in deferred income		250	2,212
Cash used in operations		(130,886)	(13,703)
Mainland China tax paid		(8,547)	(25,770)
Net cash flows used in operating activities		(139,433)	(39,473)

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2016

	Notes	For the six months ended 30 June	
		2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		2,133	776
Purchases of items of property, plant and equipment		(42,796)	(1,741)
Purchases of items of intangible assets		(48)	–
Proceeds from acquisition of a subsidiary		–	27,999
Net cash flows (used in)/from investing activities		(40,711)	27,034
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	16	136,837	–
Share issue expenses	16	(3,154)	–
New bank loans		237,933	306,851
Repayment of bank loans		(195,118)	(233,250)
Interest paid		(5,524)	(2,994)
Dividends paid		–	(84,915)
Net cash flows from/(used in) financing activities		170,974	(14,308)
NET DECREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period		286,605	203,063
Effect of foreign exchange rate changes, net		–	152
CASH AND CASH EQUIVALENTS AT END OF PERIOD	13	277,435	176,468

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016

1. CORPORATE AND GROUP INFORMATION

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

On 25 June 2015, the Company completed a reverse takeover transaction (the "Reverse Takeover Transaction" which involved, among others, the acquisition by the Company of the entire equity interest of TCL Display Technology (Huizhou) Co., Ltd (TCL 顯示科技(惠州)有限公司, a Company established under the law of the People's Republic of China ("PRC")), ("TCL Display"). TCL Display is treated as the acquirer for accounting purpose. Accordingly, these interim condensed consolidated financial statements have been prepared as a continuation of the financial statements of TCL Display, and the results of the Company have been consolidated since 25 June 2015, the completion date of the Reverse Takeover Transaction.

During the six months ended 30 June 2016, the Company and its subsidiaries (collectively referred to as the "Group") were principally involved in the manufacture and sale of LCD modules for mobile phones and smart pads.

In the opinion of the directors, the immediate holding company and the ultimate holding company of the Company are T.C.L. Industries Holdings (H.K.) Limited ("TCL Industries"), a limited liability company incorporated in Hong Kong, and TCL Corporation, a limited liability company established in the PRC and listed on the Shenzhen Stock Exchange, respectively.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2016 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.

These 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 eighteen months ended 31 December 2015.

3. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the eighteen months ended 31 December 2015, except for the adoption of new standards and interpretations effective as of 1 January 2016. The adoption of the new standards and amendments does not have a material impact on the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2016

4. OPERATING SEGMENT INFORMATION

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

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

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

Geographical information

(a) Revenue from external customers

	For the six months ended 30 June	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Mainland China*	927,017	420,784
Other countries/areas	522,593	538,193
	1,449,610	958,977

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

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

(b) Non-current assets

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

Information about major customers

Revenue of approximately RMB402,425,000 for the six months ended 30 June 2016 (six months ended 30 June 2015: RMB497,537,000) was derived from sales to fellow subsidiaries.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2016

5. REVENUE, OTHER INCOME AND GAINS

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

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

	For the six months ended 30 June	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Revenue		
Sale of goods	1,449,610	958,977
Other income and gains		
Bank interest income	2,133	776
Subsidy income*	2,649	984
Exchange gains, net	-	4,340
Gains on disposal of raw materials, samples and scraps	3,200	4,908
Gain on a litigation compensation	11,287	1,377
Others	-	12
	19,269	12,397

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

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2016

6. PROFIT/(LOSS) BEFORE TAX

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

	For the six months ended 30 June	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Cost of inventories sold	1,302,990	794,516
Depreciation	22,915	10,199
Amortisation of intangible assets	29	27
Research and development costs:		
Current period expenditures*	8,822	10,897
Minimum lease payments under operating leases	3,351	3,229
Employee benefit expense (including directors' remuneration):		
Wages and salaries	73,945	63,517
Pension scheme contributions	8,532	18,072
Awarded share expense	9,873	–
Share option expense	4,902	–
	97,252	81,589
(Recovery)/write-down of inventories to net realisable value**	(3,586)	11,184
Exchange loss/(gains), net	1,958	(4,340)
Listing expense	–	140,844

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

** (Recovery)/write-down of inventories to net realisable value is included in "Cost of sales" in the condensed consolidated statement of profit or loss.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Interest on bank loans and bonds	3,016	744
Interest on discounted bills	4,933	2,250
	7,949	2,994

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2016

8. INCOME TAX BENEFIT

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the current period (six months ended 30 June 2015: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	For the six months ended 30 June	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Current – Mainland China		
Charge for the period	2,589	12,503
Adjustment in respect of current tax of previous periods	(8,326)	(19,956)
Deferred	2,389	(3,545)
Total tax charge for the period	(3,348)	(10,998)

Under the prevailing relevant income tax law of Mainland China, TCL Display, the subsidiary in Mainland China is subject to corporate income tax at a statutory rate of 25% on its taxable income. On 9 October 2014, TCL Display was designated as a high-tech enterprise by the Guangdong Science and Technology Department with an effective period of three years. On 8 April 2016 and 30 March 2015, TCL Display was approved to be entitled to a 15% preferential tax rate for the year ended 31 December 2015 and 2014, respectively, by the local tax authority based on the designation as a high-tech enterprise. As a result, a downward adjustment of RMB8,326,000 and RMB19,956,000 for income tax provision for the year ended 31 December 2015 and 2014 was made in the six months ended 30 June 2016 and 2015, respectively.

9. DIVIDENDS

The directors of the Company do not recommend the payment of any dividend by the Company for the six months ended 30 June 2016.

	For the six months ended 30 June	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Dividends recognised as distribution	–	84,915

During the six months ended 30 June 2015, dividends with an aggregate amount of RMB84,915,000 were distributed by TCL Display to its then shareholders before completion of the acquisition of the entire equity interest of TCL Display by the Company.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2016

10. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

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

The weighted average number of ordinary shares used in the calculation of the basic loss per share for the six months ended 30 June 2015 is determined by reference to the pre-combination capital of TCL Display multiplied by the exchange ratio established in the Reverse Takeover Transaction and the weighted average actual number of ordinary shares of the Company in issue immediately after the completion of the Reverse Takeover Transaction.

The weighted average number of ordinary shares used in the calculation of the basic earnings per share for the six months ended 30 June 2016 is the weighted average number of ordinary shares of 1,741,363,191 in issue during the period.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the six months ended 30 June 2016 and 2015 in respect of a dilution as the impact of the share options and awarded shares or convertible bonds had an anti-dilutive effect on the basic earnings/(loss) per share amounts presented.

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000

Earnings/(loss)

Profit/(loss) attributable to ordinary equity holders of the parent,
used in the basic earnings/(loss) per share calculations

4,010 (99,985)

	Number of shares For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)

Shares

Weighted average number of ordinary shares in issue
during the period used in the basic and diluted
earnings/(loss) per share calculations

1,741,363,191 602,819,439

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2016

11. INVENTORIES

	30 June 2016 (Unaudited) <i>RMB'000</i>	31 December 2015 (Audited) <i>RMB'000</i>
Raw materials	179,468	75,460
Work in progress	52,327	35,287
Finished goods	49,551	47,466
	281,346	158,213

12. TRADE AND BILLS RECEIVABLES

	30 June 2016 (Unaudited) <i>RMB'000</i>	31 December 2015 (Audited) <i>RMB'000</i>
Trade receivables	678,017	426,049
Bills receivable	269,753	171,489
Impairment	-	-
	947,770	597,538

The Group's trading terms with its customers are mainly on credit, except for certain customers, where payment in advance is normally required. The credit period is generally 30 to 90 days, depending on the size and credibility of the customers, and each customer will be assigned with a different maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	30 June 2016 (Unaudited) <i>RMB'000</i>	31 December 2015 (Audited) <i>RMB'000</i>
Within 1 month	434,880	419,069
1 to 2 months	280,119	132,054
2 to 3 months	151,706	32,762
Over 3 months	81,065	13,653
	947,770	597,538

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2016

12. TRADE AND BILLS RECEIVABLES (continued)

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

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Neither past due nor impaired	942,474	592,238
Less than 1 month past due	5,081	5,283
1 to 3 months past due	215	17
	947,770	597,538

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

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

As at 30 June 2016, the Group had pledged certain trade receivables amounting to RMB192,823,000 (31 December 2015: RMB137,989,000) to banks with recourse in exchange for cash. The proceeds from pledging the trade receivables of RMB180,000,000 (31 December 2015: RMB110,391,000) were accounted for as collateralised bank advances (note 15) until the trade receivables were collected or the Group made good of any losses incurred by the banks.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2016

13. CASH AND CASH EQUIVALENTS

	30 June 2016 (Unaudited) <i>RMB'000</i>	31 December 2015 (Audited) <i>RMB'000</i>
Cash and bank balances denominated in		
– Renminbi (“RMB”)	36,942	86,723
– Hong Kong dollars (“HK\$”)	148,393	28,510
– United States dollars (“US\$”)	92,100	171,372
	<hr/>	<hr/>
Cash and cash equivalents	277,435	286,605

RMB is not freely convertible into other currencies. However, under Mainland China’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

As at 30 June 2016, included in cash and bank balances were deposits of RMB141,551,000 (31 December 2015: RMB274,369,000) placed with TCL Finance Co., Ltd., a fellow subsidiary of the Company and a financial institution approved by the People’s Bank of China. The interest rate for the deposits placed with TCL Finance Co., Ltd. was 0.42% (six months ended 30 June 2015: ranged from 0.42% to 0.46%) per annum, which was determined based on the savings rates offered by the People’s Bank of China, during the six months ended 30 June 2016. Further details of the interest income from the deposits in the related parties are set out in note 21 to the financial statements.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2016

14. TRADE AND BILLS PAYABLES

	30 June 2016 (Unaudited) <i>RMB'000</i>	31 December 2015 (Audited) <i>RMB'000</i>
Trade payables	1,098,545	674,922
Bills payable	4,097	135,254
	1,102,642	810,176

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

	30 June 2016 (Unaudited) <i>RMB'000</i>	31 December 2015 (Audited) <i>RMB'000</i>
Within 30 days	372,660	280,748
31 to 60 days	386,880	201,932
61 to 90 days	223,034	152,132
Over 90 days	120,068	175,364
	1,102,642	810,176

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2016

15. INTEREST-BEARING BANK BORROWINGS

	30 June 2016 (Unaudited)			31 December 2015 (Audited)		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – guaranteed	–	–	–	0.95	2016	26,794
Collateralised bank advances – secured and guaranteed	3	2016	180,000	0.79-0.92	2016	110,391
			180,000			137,185
Repayable: Within one year			180,000			137,185

Notes:

- (a) The Group had banking facilities of RMB2,530,000,000 (31 December 2015: RMB1,220,000,000), of which RMB184,097,000 (31 December 2015: RMB272,437,000) had been utilised as at the end of the reporting period.
- (b) The Group's interest-bearing bank borrowings are secured by trade receivables of RMB192,823,000 (31 December 2015: RMB137,989,000) (note 12).

In addition, the Company's ultimate holding company has guaranteed certain of the Group's interest-bearing bank borrowings up to RMB180,000,000, (31 December 2015: RMB137,185,000) as at the end of the reporting period.

- (c) As at 30 June 2016 and 31 December 2015, the Group's interest-bearing borrowings are denominated in RMB and US\$, respectively.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2016

16. SHARE CAPITAL

	30 June 2016	31 December 2015
Authorised:		
4,000,000,000 (31 December 2015: 4,000,000,000) ordinary shares of HK\$0.10 each (HK\$'000)	400,000	400,000
Issued and fully paid:		
1,979,723,806 (31 December 2015: 1,721,499,806) ordinary shares (HK\$'000)	197,972	172,150
Equivalent to RMB'000	160,632	138,561

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

	Number of shares in issue	Share capital RMB'000	Share premium account RMB'000
At 1 January 2016	1,721,499,806	138,561	109,572
Issue of shares	258,224,000	22,071	114,766
Share issue expenses	–	–	(3,154)
At 30 June 2016	1,979,723,806	160,632	221,184

On 16 June 2016, 258,224,000 shares were placed to certain independent third parties at a placing price of HK\$0.62 per share (the "Placing"). As a result of the Placing, 258,224,000 additional ordinary shares of HK\$0.10 each were issued and the net proceeds of RMB133,683,000, after deduction of the related expenses of RMB3,154,000, were received during the the six month ended 30 June 2016.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2016

17. SHARE AWARD SCHEME

On 17 March 2016 (the "Adoption Date"), the Board (for the purpose of the Share Award Scheme, defined below, also includes such committee or such sub-committee or person(s) delegated with the power and authority by the Board of directors of the Company to administer the Share Award Scheme) resolved to adopt a restricted share award scheme (the "Share Award Scheme") for the purposes of providing incentives to the participants under Share Award Scheme. Pursuant to the terms of the Share Award Scheme, the Board may, from time to time, at its sole and absolute discretion designate an award ("Award" and collectively "Awards") to be made to a selected participant ("Selected Person" and collectively "Selected Persons"). Participants of the Share Award Scheme cover any employee, adviser, consultant, agent, contractor, client or supplier of any member of the Group and any employee or officer of any affiliated company whom the Board in its sole discretion considers may contribute or have contributed to the Group. Awards may be satisfied by (i) existing shares to be acquired by the trustee engaged by the Company for the purpose of administering the Share Award Scheme (the "Trustee"), from the market, or (ii) new shares to be allotted and issued to the Trustee by the Company (collectively "Awarded Shares"), in both case the costs of which will be borne by the Company, and will be held on trust by the Trustee for the Selected Persons until the end of each vesting period subject to fulfilment of the vesting conditions (if any). The specific mandate for the issuance and allotment of new shares as Awarded Shares pursuant to the Share Award Scheme was approved by the shareholders of the Company at the special general meeting of the Company held on 11 May 2016 (the "Approval Date"). On 20 May 2016, the Company entered into a trust deed with BOCI-Prudential Trustee Limited thereby appointing it as the Trustee.

Subject to the refreshment of the scheme limit and the adjustment in the event of consolidation or subdivision of Shares, the Board shall not make any further award of Awarded Shares which will result in: (i) the aggregate number of the Awarded Shares granted under the Share Award Scheme exceeding 10% of the issued share capital of the Company as at the Adoption Date (i.e. 172,149,980 shares); and (ii) the aggregate number of the Shares held by public shareholders of the Company falls below the minimum percentage as prescribed under the Listing Rules. Unless otherwise approved by the shareholders of the Company, the aggregate number of new shares to be granted as Awarded Shares in each financial year shall not exceed 3% of the total number of issued shares of the Company as at the Approval Date (i.e. 51,644,994 Shares) or the latest new approval date (i.e. latest date on which the relevant shareholders' approval is obtained), as the case may be.

On 17 March 2016, the Board resolved to conditionally grant Awards with new shares to certain grantees ("New Shares Grant") pursuant to the terms of the Share Award Scheme. This involves granting Awards for a total of 51,644,994 Awarded Shares being new shares to 97 Selected Persons. The New Shares Grant was subject to (i) the approval of the specific mandate for the issuance and allotment of new shares as Awarded Shares pursuant to the Share Award Scheme by the shareholders; and (ii) the approval by the listing committee of the Stock Exchange for the listing of, and permission to deal in, such new shares. The conditions were all fulfilled on 11 May 2016.

As at 30 June 2016, 120,504,986 further Awarded Shares might be granted to the eligible participants of the Share Award Scheme, which represented approximately 6.087% of the number of issued shares of the Company as at 30 June 2016.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2016

17. SHARE AWARD SCHEME (continued)

The following Awarded Shares were unvested under the Share Award Scheme of the Company during the period:

	Number of awarded shares Six months ended 30 June	
	2016 '000	2015 '000
At 1 January	–	–
Granted during the period	51,645	–
At 30 June	51,645	–

Movements in the number of the Company's Awarded Shares under the Share Award Scheme during the period are as follows:

Name or category of participant	Number of awarded shares				Date of grant	Vesting date	Fair value HK\$ per share
	At 1 January 2016	Granted during the period	Vested during the period	At 30 June 2016			
Executive directors							
Mr. Li Jian	–	2,582,250	–	2,582,250	11-5-16	18-12-16	0.82
	–	2,582,249	–	2,582,249	11-5-16	18-12-17	0.82
	–	5,164,499	–	5,164,499			
Mr. Ouyang Hongping	–	2,010,000	–	2,010,000	11-5-16	18-12-16	0.82
	–	2,010,000	–	2,010,000	11-5-16	18-12-17	0.82
	–	4,020,000	–	4,020,000			
Ms. Yang Yunfang	–	1,545,000	–	1,545,000	11-5-16	18-12-16	0.82
	–	1,545,000	–	1,545,000	11-5-16	18-12-17	0.82
	–	3,090,000	–	3,090,000			
	–	12,274,499	–	12,274,499			
Other employees in aggregate							
	–	19,685,223	–	19,685,223	11-5-16	18-12-16	0.82
	–	19,685,222	–	19,685,222	11-5-16	18-12-17	0.82
	–	39,370,445	–	39,370,445			
Total	–	51,644,944	–	51,644,944			

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2016

17. SHARE AWARD SCHEME (continued)

The fair value and vesting dates of the Awarded Shares outstanding under the Share Award Scheme as at the end of the reporting period are as follows:

As at 30 June 2016

Date of grant	Number of Awarded Shares <i>'000</i>	Fair value HK\$ per share	Vesting date
11-5-16	25,823	0.82	18-12-16
11-5-16	25,822	0.82	18-12-17
	51,645		

The fair value of the Awarded Shares granted during the period was HK\$42,349,000 (HK\$0.82 each), of which the Group recognised an awarded share expense of RMB9,873,000 during the six months ended 30 June 2016.

At the end of the reporting period, the Company had 51,644,944 Awarded Shares outstanding under the Share Award Scheme. The grant in full of the outstanding awarded shares would, under the present capital structure of the Company, result in the issue of 51,644,944 additional ordinary share of the Company. On 5 July 2016, the Company issued and allotted the said 51,644,944 Awarded Shares to the Trustee.

At the date of approval of these condensed consolidated financial statements, the Company had 51,644,944 Awarded Shares outstanding under the Share Award Scheme, which represented approximately 2.6% of the Company' shares in issue as at that date.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2016

18. SHARE OPTION

The Company operates a share option scheme (the "Share Option Scheme") for the purpose of recognising and providing incentives and rewards to eligible participants who contribute to the success of the Group's operations, helping the Group in retaining its existing employees and recruiting additional employees and providing them with a direct economic interest in attaining the long term business objectives of the Group. Eligible participants of the Share Option Scheme include employees of the Company or any of its subsidiaries (including any executive and non-executive director or proposed executive and non-executive director of the Company), adviser, consultant, agent, contractor, client or supplier of any member of the Group or any other person whom the Board in its sole discretion considers may contribute or have contributed to the Group. The Share Option Scheme became effective on 25 June 2015 and, unless otherwise terminated, will remain in force for 10 years from that date.

The total number of shares of the Company which may be issued upon exercise of all share options to be granted under the Share Option Scheme and any other schemes of the Company must not in aggregate exceed 10% of the shares of the Company in issue on the date of approval of each of the Share Option Scheme. The 10% limit may be refreshed with the approval by ordinary resolution of the Shareholders. The maximum number of shares of the Company which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company must not exceed 30% of the shares of the Company in issue from time to time. The maximum number of shares issued or to be issued upon exercise of share options granted to any one participant in a 12-month period shall not exceed 1% (0.1% for any substantial shareholder, independent non-executive director or their associates, see paragraph below) of the issued shares of the Company.

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. 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 and 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 upon payment of a non-refundable nominal consideration of HK\$1.00 by each grantee. The exercise period of the share options granted is determinable by the directors, and commences on a specified date and ends on a date which is not later than ten years from the date of grant of the relevant share option.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2016

18. SHARE OPTION (continued)

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

The following share options were outstanding under the Share Option Scheme of the Company during the period:

	Six months ended 30 June 2016		Six months ended 30 June 2015	
	Weighted average exercise price HK\$ per share	Number of options '000	Weighted average exercise price HK\$ per share	Number of options '000
At 1 January	-	-	-	-
Granted during the period	0.74	80,605	-	-
Lapsed during the period	0.74	(298)	-	-
At 30 June	0.74	80,307	-	-

Movements in the number of the Company's share options under the Share Option Scheme during the period are as follows:

Name or category of participant	Number of share options				At 30 June 2016	Date of grant	Exercise period	Exercise price HK\$ per share
	At 1 January 2016	Granted during the period	Exercised during the period	Lapsed during the period				
Executive directors								
Mr. Li Jian	-	11,514,998	-	-	11,514,998	18-3-16	18-12-16 to 17-3-22	0.74
Mr. Ouyang Hongping	-	9,076,528	-	-	9,076,528	18-3-16	18-12-16 to 17-3-22	0.74
Ms. Yang Yunfang	-	6,976,734	-	-	6,976,734	18-3-16	18-12-16 to 17-3-22	0.74
Mr. Zhao Yong (appointed since 10 March 2016)	-	5,757,499	-	-	5,757,499	18-3-16	18-12-16 to 17-3-22	0.74
Non-executive director								
Mr. Yuan Bing	-	11,514,998	-	-	11,514,998	18-3-16	18-12-16 to 17-3-22	0.74
Independent non-executive directors								
Ms. Hsu Wai Man, Helen	-	260,000	-	-	260,000	18-3-16	18-12-16 to 17-3-22	0.74
Mr. Xu Yan	-	260,000	-	-	260,000	18-3-16	18-12-16 to 17-3-22	0.74
Mr. Li Yang	-	260,000	-	-	260,000	18-3-16	18-12-16 to 17-3-22	0.74
	-	45,620,757	-	-	45,620,757			
Other employees in aggregate								
	-	34,984,229	-	(297,996)	34,686,233	18-3-16	18-12-16 to 17-3-22	0.74
	-	80,604,986	-	(297,996)	80,306,990			

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2016

18. SHARE OPTION (continued)

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

30 June 2016

Date of grant	Number of options '000	Exercise price HK\$ per share	Exercise period
18-3-16	80,307	0.74	18-12-16 to 17-3-22 (Note)

The fair value of the share options granted during the period was HK\$19,095,000 (HK\$0.24 each), of which the Group recognised a share option expense of RMB4,902,000 during the six months ended 30 June 2016.

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

Exercise period	18 December 2016 to 17 March 2022 (Note)
Expected volatility	46.75% per annum
Expected life of options	6 years
Average risk-free interest rate	1.38% per annum
Early exercise assumption	When the share price is at least 275% of the exercise price
Expected dividend yield	2.5%
Weighted average share price	HK\$0.74 per share

Note: 50% of these share options are exercisable commencing from 18 December 2016 to 17 December 2022, a further 30% are exercisable commencing from 18 December 2017 to 17 December 2022, and the remaining 20% are exercisable commencing from 18 December 2018 to 17 December 2022 (both dates inclusive for all cases). In any event no share options may be exercised after 17 December 2022.

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

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

At the end of the reporting period, the Company had 80,306,990 share options outstanding under the Share Option Scheme, of which, 80,306,990 were unvested. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 80,306,990 additional ordinary share of the Company and additional share capital of HK\$8,031,000 and share premium of HK\$51,396,000 (before issue expenses).

According to the scheme limit of the Share Options Scheme as refreshed at the annual general meeting held on 11 May 2016, the Company may further grant 172,149,980 share options, representing approximately 8.696% of the issued share capital of the Company as at 30 June 2016.

At the date of approval of these condensed consolidated financial statements, the Company had 80,074,490 share options outstanding under the Share Options Scheme, which represented approximately 4.045% of the Company' shares in issue as at that date.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2016

19. OPERATING LEASE ARRANGEMENTS**As lessee**

The Group leases certain of its office properties and dormitories under operating lease arrangements. Leases for these properties are negotiated for terms within one year.

At 30 June 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2016 (Unaudited) <i>RMB'000</i>	31 December 2015 (Audited) <i>RMB'000</i>
Within one year	3,174	–

20. COMMITMENTS

In addition to the operating lease commitments detailed in note 19 above, the Group had the following capital commitments as at 30 June 2016:

	30 June 2016 (Unaudited) <i>RMB'000</i>	31 December 2015 (Audited) <i>RMB'000</i>
Contracted, but not provided for: Plant and machinery	4,019	17,594

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2016

21. RELATED PARTY TRANSACTIONS AND BALANCES**(a) Transactions with related parties**

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

	<i>Notes</i>	For the six months ended 30 June	
		2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Ultimate holding company:			
Purchases of products	(i)	2,052	98,490
Interest income	(i)	407	–
Guarantee fee		262	116
		2,721	98,606
Immediate holding company:			
Interest expense	(ii)	1,923	59
Fellow subsidiaries:			
Sales of products	(i)	402,424	497,538
Sales of raw materials, mould and samples	(i)	1,017	2,140
Purchases of products	(i)	4,961	114
Purchases of plant, vehicles, furniture and fixtures	(i)	237	101
Rental charges	(i)	3,351	3,229
Interest income	(i)	689	770
Interest expense	(i)	1,256	1,373
		413,935	505,265

Notes:

- (i) The sales, purchases, leasehold transactions, interest income and interest expense with the related parties were made according to prices mutually agreed between two parties after arm's length negotiation on normal commercial terms or on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties.
- (ii) Interest is chargeable at 7.5% per annum for bonds at an aggregate principal amount of HK\$60,000,000 issued to the immediate holding company.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2016

21. RELATED PARTY TRANSACTIONS AND BALANCES (continued)**(b) Other transactions with related parties**

The Company's ultimate holding company has guaranteed certain bank loans made to the Group of up to RMB180,000,000 (31 December 2015: RMB137,185,000) as at the end of the reporting period, as further detailed in note 15 to the financial statements.

(c) Outstanding balances with related parties

	Due from related companies		Due to related companies	
	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Current:				
The ultimate holding company	–	–	44,632	48,327
The immediate holding company	–	61	36,444	36,958
Fellow subsidiaries	178,121	73,483	4,143	32,943
	178,121	73,544	85,219	118,228
Non-current:				
The immediate holding company	–	–	59,829	58,646
	178,121	73,544	145,048	176,874

The balances with the ultimate holding company and fellow subsidiaries are mainly trading balances which are unsecured, interest-free and have no fixed terms of repayment. The non-current balance due to the immediate holding company as at 30 June 2016 arose from the bonds payable in the sum of RMB59,829,000 (31 December 2015: RMB58,646,000). The current balance with the immediate holding company as at 30 June 2016 comprised the interest of the bonds payable of RMB3,910,000 (31 December 2015: RMB1,948,000), the loan from the immediate holding company of RMB190,000 (31 December 2015: RMB251,000) and an amount of RMB32,344,000 (31 December 2015: RMB34,759,000) relating to the reimbursement for the listing expense which was paid by the immediate holding company on behalf of the Company. The current balance due to the immediate holding company is unsecured, interest-free and have no fixed terms of repayment.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2016

21. RELATED PARTY TRANSACTIONS AND BALANCES (continued)**(d) Compensation of key management personnel of the Group**

	For the six months ended 30 June	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Short-term employee benefits	1,106	791
Share-based payment benefit expenses	4,023	–
Total compensation paid to key management personnel	5,129	791

22. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 17 August 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

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INDUSTRY REVIEW

Over the first half of 2016, global economic rebalancing was still underway. The slowdown of macroeconomic growth exerted a negative impact on the sales performance in panel display and touch panel market at worldwide level. The latest statistical report published by Trendforce, a market researcher, showed a slower growth in global sales of smartphones during the first half of 2016, with global shipments of smartphones for the period of approximately 607 million units, representing an increase of approximately 10.2% when compared to the same period last year. The rate reflects a slowdown in the usual rapid growth. On the other hand, global shipments of tablets were approximately 68.7 million units, representing a drop of approximately 8.4% year-on-year. The dwindling of growth in both smartphone and tablet shipments posed difficulties to the development of touch and display modules market.

At present, the industry is still at the stage of integration. Some display panel suppliers have earlier shut down their non-profitable production lines. In addition, the earthquake occurred in Tainan, Taiwan in February 2016 caused destruction to the production lines of a number of display panel suppliers with their production capacity impaired, which resulted in a shortage of supply in the LCD display panel market and, in turn, a rise in price. The weakened appetite for mobile phones and tablets in the market, together with the undersupply of display panels, exerted pressure on the industry's profitability in general.

BUSINESS REVIEW

The Group is one of the major suppliers of small-to-medium sized (≤ 10.1 inches) display modules in the PRC, and is principally engaged in the research and development, manufacture, sales and distribution of LCD modules for handheld mobile devices. For the six months ended 30 June 2016 (the "Review Period"), the Group recorded a net profit of approximately RMB4.01 million, as compared to a loss of approximately RMB100 million for the six months ended 30 June 2015 (the "Comparative Period"). The positive turnaround was primarily due to (i) the absence of the one-off listing expense incurred during the six months ended 30 June 2015; (ii) the increase in sales volume; (iii) the increase in average selling price as a result of the improvement in product mix; and (iv) the one-off compensation for building defects from the lessor of a former factory.

For the Review Period, the Group recorded a significant growth in the sales in the PRC, with sales volume reaching approximately 16.0 million units and sales revenue amounting to approximately RMB927 million, representing an increase of 54.2% and 120.3% respectively when compared to the Comparative Period. As a result, the Group's overall sales volume went up by 22.7% to approximately 33.2 million units and the revenue grew by 51.2% to approximately RMB1.45 billion. However, for the Review Period, the Group reported gross profit and gross profit margin of approximately RMB45.0 million and 3.1%, respectively. Both figures were lower than those of the Comparative Period, which were primarily due to the increase in the cost of the main raw materials, namely LCD display panels, during the first half of 2016. The Group is now actively liaising with its customers to adjust the product prices to accommodate the rising production costs and it is believed to help boost the Group's gross profit for the second half of 2016.

During the Review Period, mobile phone LCD module products remained the Group's main source of revenue. To better reflect the change in demand of smart device market for LCD module products, from 2016 onwards, the Group's sales volume and revenue of LCD module products are reported in two segments, namely laminated and non-laminated modules, instead of the previous segments in terms of size. During the Review Period, benefited from the smart device customers' demand for high-end quality products, the Group recorded revenue from and sales volume of laminated LCD module products of approximately RMB997 million and 12.9 million units, representing a significant increase of approximately 325% and approximately 452% respectively when compared to the Comparative Period. Revenue from laminated LCD module products as a percentage of the Group's total revenue accounted for 68.8%, up from approximately 24.5% for the Comparative Period. The Group recorded revenue from and sales volume of non-laminated LCD module products of approximately RMB452 million and 20.2 million units respectively, representing a decrease of approximately 37.6% and approximately 18.0% when compared to the Comparative Period.

MANAGEMENT DISCUSSION AND ANALYSIS

The table below sets forth the Group's revenue by product segments for the Review Period and the period-on-period change of each segment:

<i>(Unaudited)</i>	For the six months ended 30 June				
	2016		2015		Change (%)
	RMB'000	%	RMB'000	%	
TFT LCD modules					
Non-laminated modules	452,280	31.2	724,485	75.5	-37.6
Laminated modules	997,330	68.8	234,492	24.5	325
Total	1,449,610	100	958,977	100	51.2

The table below sets forth the Group's sales volume by product segments for the Review Period and the period-on-period change of each segment:

<i>(Unaudited)</i>	For the six months ended 30 June				
	2016		2015		Change (%)
	'000 units	%	'000 units	%	
TFT LCD modules					
Non-laminated modules	20,236	61.0	24,667	91.3	-18.0
Laminated modules	12,915	39.0	2,341	8.7	452
Total	33,151	100	27,008	100	22.7

The Group develops and supplies LCD modules mainly for several reputable international and domestic mobile phone manufacturers on an ODM (original design manufacturer) basis. For the six months ended 30 June 2016, Hong Kong and the PRC remained the major markets for the Group. The revenue derived from Hong Kong and the PRC was approximately RMB381 million and approximately RMB927 million respectively, which, in aggregate, accounted for approximately 90.2% of the Group's total revenue, with the growth in revenue from sales to the PRC significantly outperformed at a rate of 120%. During the Review Period, the Group achieved a breakthrough in the development of Korean market as fueled by the sales to LG, a globally renowned consumer electronics brand based in South Korea. Revenue from sales to Korea substantially increased to approximately RMB141 million from approximately RMB35.2 million for the six months ended 30 June 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

The table below sets forth the Group's revenue by geographical segments for the Review Period and the period-on-period change of each segment:

<i>(Unaudited)</i>	For the six months ended 30 June				
	2016		2015		Change (%)
	RMB'000	%	RMB'000	%	
The PRC	927,017	63.9	420,784	43.9	120
Hong Kong	381,214	26.3	503,004	52.4	-24.2
Korea	141,379	9.8	35,189	3.7	302
Total	1,449,610	100.0	958,977	100.0	51.2

During the Review Period, the Group continued to adjust its product mix in order to maintain the competitiveness of the Group. Since the commencement of mass production in the first quarter of 2015, the Group's on-cell embedded module products have gradually been recognised by its core customers, allowing the Group to become one of the suppliers providing on-cell embedded module products of best quality with highest shipments, and to remain a trustworthy and close partner of its customers. Furthermore, the Group's investments in the development of new technologies continued to bear fruits. The first batch of in-cell embedded module products was delivered in June 2016; and the Group has successfully secured small supply of the low-temperature poly-silicon ("LTPS") display panels required for the production of LTPS LCD modules from Wuhan China Star Optoelectronics Technology Co., Ltd. ("Wuhan CSOT", a fellow subsidiary of the Group) which has launched the 6th generation LTPS display panel production line in February 2016 under the Project t3. The Group expects that the supply of LTPS display panels from Wuhan CSOT will be increased in the second half of 2016 and believes it will then gain a greater market share in the high-end products sector effectively.

In light of the increasing market demand for the higher-end LTPS LCD modules, which generally have a higher unit price and gross profit margin compared to other LCD module products, the Group has implemented plans to expand its production scale of LTPS LCD modules, with aims to enlarge the Group's market share and generate greater value to the Group and its shareholders. In June 2016, the Company successfully raised net proceeds of HK\$157 million by placing an aggregate of 258,224,000 new shares at the placing price of HK\$0.62 per share. On 13 June 2016, it has entered into a memorandum of understanding with Wuhan CSOT regarding the possible cooperation involving the formation of a joint venture with Wuhan CSOT, to engage in the production of LTPS LCD modules (the "Possible Cooperation"). The Group intends to utilize approximately HK\$150 million of the net proceeds raised from the placing in the Possible Cooperation, if materialised, and it is contemplated that the joint venture under the Possible Cooperation will operate 10 fully automated production lines of LTPS LCD modules for mobile phones, with an average annual production capacity of 50 million units of laminated display modules for mobile phones. The expansion of production scale will place the Group in a more efficient position to grasp the growing demand for LTPS LCD module products and to strengthen its profitability.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

In the second half of 2016, the outlook of the PRC and global economies is expected to remain vague. From an industry perspective, the phase of rapid growth of mobile phone industry is already behind us, while the slow-down growth rate in the smart mobile device products market is expected to continue. The market will see an increasing brand concentration. To ensure a stable supply, branded manufacturers will gradually shift their orders to major accessories manufacturers, including modules manufacturers. Hence, the competition in the display module industry is expected to further intensify. In the second half of 2016, it is expected that the industry will stay at the deep reshuffling stage. Despite the possibility of facing severe hardships, with the strategic deployments and tactic planning made by the Group, the management remains optimistic on the overall sales performance and results of the Group for the second half of 2016.

Since the Project t3 launched by Wuhan CSOT in February 2016, the prototype of vertically integrated supply chain formed by the Company with Wuhan CSOT and TCL Communication Technology Holdings Limited, one of our main customers and a fellow subsidiary (stock code: 2618.HK) has been configured. Upon the commencement of mass production by Wuhan CSOT, the Group will be able to ensure stable upstream supply of display panels and it would help withstand any risks arising from tight supply and increased price of display panels in the future. Also, the Possible Cooperation with Wuhan CSOT, if materialised, will enable the Group to leverage on the resources and expertise of Wuhan CSOT in LTPS LCD panel production, and to expand its LTPS LCD module production scale to a larger scale than that could be achieved by the Group alone, thereby benefiting from economies of scale thus generating greater profits for the Company and its Shareholders.

Notwithstanding that an overall undersupply of LTPS display panels is expected to continue in the market for the second half of 2016, with the stable supply of display panels from Wuhan CSOT and the expansion in production scale contemplated under the Possible Cooperation where materialised, the Group believes that the expanded production scale of the Group will guarantee a sufficient supply to meet the market demand. Besides, the enlarged production scale and market share of LTPS LCD modules will also lead to higher average selling prices and, further, gross profit of the Group's products, bringing sustainable contributions to the Group's profitability.

On the other hand, to address the drop of gross profit margin caused by the increased cost of LCD panels in the first half of 2016, the Group is actively liaising with customer for adjustment of product prices and has made some progress. It is believed that such liaisons would help boost the growth of the Group's gross profit in the second half of 2016.

Looking forward, the Group will continue to deploy resources in the research and development of display modules. It will seek to optimise its product structure by upgrading and diversifying its display module products. The Group forecasts a continuous improvement in the sales of laminated display module products, which is expected to be a growth engine for the Group's future sales.

FINANCIAL REVIEW

Results

During the Review Period, the consolidated revenue of the Group increased by 51.2% from approximately RMB959 million for the Comparative Period to approximately RMB1.45 billion.

The gross profit margin of the Group's products decreased from 6.6% for the Comparative Period to 3.1% for the Review Period, such decrease was primarily due to the increase in the cost of LCD display panels, which is the main raw material of the Group's product.

For the Review Period, the Group recorded a profit attributable to shareholders amounting to approximately RMB4.01 million, as opposed to the loss of approximately RMB100 million for the Comparative Period. Basic earnings per share was RMB0.23 cents, as compared to the loss per share of RMB16.59 cents for the Comparative Period. The positive turnaround for the Review Period was primarily due to 1) the absence of the one-off listing expense of approximately RMB141 million incurred during the Comparative Period; and 2) the increase in sales volume; 3) the increase in average selling price as a result of the improvement in product mix; and 4) the one-off compensation for building defects from the lessor of a former factory.

MANAGEMENT DISCUSSION AND ANALYSIS

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LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained robust liquidity position during the Review Period. The Group's principal financial instruments comprise cash and cash equivalents and interest-bearing bank loans. The Group's cash and cash equivalents balance as at 30 June 2016 amounted to approximately RMB277 million, of which 33.2% was in US dollar, 13.3% was in RMB, and 53.5% was in HK dollar. As at 30 June 2016, the Group's interest-bearing bank loans were approximately RMB180 million. As at 30 June 2016, total equity attributable to owners of the parent was approximately RMB256 million (31 December 2015: RMB105 million), and the gearing ratio was 13.4% (31 December 2015: 14.7%). Gearing ratio is calculated based on the Group's total interest-bearing loans (including bank borrowings and bonds payable) divided by total assets.

Pledge of assets

There was no pledge of assets by the Group as at 30 June 2016.

Capital commitments and contingent liabilities

	30 June 2016 RMB'000	31 December 2015 RMB'000
Plant and equipment: Contracted, but not provided	4,019	17,594

As at 30 June 2016, the Group had no significant contingent liabilities (31 December 2015: nil).

Pending litigation

The Group was not involved in any material litigation during the Review Period.

Foreign exchange risk

The Group's business and operations targets international markets, thus it is inevitable for the Group to be exposed to the risk arising from foreign exchange transactions and currency conversion.

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

Significant investments held

There was no significant investment held by the Group as at 30 June 2016.

Material acquisitions and disposals

The Group did not undertake any other significant acquisition or disposal of subsidiaries or assets during the Review Period.

Employees and remuneration policies

As at 30 June 2016, the Group had a total of 3,739 employees. During the Review Period, the total staff costs amounted to approximately RMB97.3 million. The Group has reviewed the remuneration policy by reference to the existing legislations, market conditions, as well as the performances of employees and the Company.

OTHER INFORMATION

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

As at 30 June 2016, the interests and/or short position of the directors and chief executives of the Company in shares in the Company ("Shares"), underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap 571, Laws of Hong Kong) ("SFO")) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or (iii) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules were as follows:

Interests in the Company – Long Positions

Name of Director	Number of ordinary Shares held		Number of underlying shares under equity derivatives (Note 2)	Total	Approximate % of issued share capital of the Company (Note 3)
	Personal interests	Other interests (Note 1)			
YUAN Bing	–	–	11,514,998	11,514,998	0.58%
LI Jian	–	5,164,499	11,514,998	16,679,497	0.84%
OUYANG Hongping	–	4,020,000	9,076,528	13,096,528	0.66%
YANG Yunfang	–	3,090,000	6,976,734	10,066,734	0.51%
ZHAO Yong	–	–	5,757,499	5,757,499	0.29%
HSU Wai Man, Helen	–	–	260,000	260,000	0.01%
XU Yan	–	–	260,000	260,000	0.01%
LI Yang	–	–	260,000	260,000	0.01%

Notes:

- As at 30 June 2016, the interests were the Awarded Shares granted to the relevant directors under the Share Award Scheme of the Company and they were not vested as at 30 June 2016. Further details of the restricted shares granted during the 6 months ended 30 June 2016 were set out in note 17 to the financial statements.
- As at 30 June 2016, these equity derivatives were outstanding share options granted to the relevant directors under the Share Option Scheme on 18 March 2016. Further details of the Share Option Scheme and share options granted during the 6 months ended 30 June 2016 are set out in the section headed "Share Option Scheme" in this report and note 18 to the financial statements.
- Such percentage was calculated based on the total number of Shares in which each of the directors and chief executive was interested or deemed interested as notified to the Company and disclosed and underlying shares on the website of the Stock Exchange pursuant to Part XV of the SFO, against the number of issued Shares of the Company as at 30 June 2016, being 1,979,723,806 Shares.

Save as disclosed above, as at 30 June 2016, none of the directors nor the chief executive of the Company had an interest and/or short position in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were required to be recorded pursuant to Section 352 of the SFO; or (iii) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 June 2016, the interests and short positions of the person (other than a director or chief executive of the Company) in the Shares or underlying Shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long position in shares of the Company

Name of Shareholder	Nature of Interest	Number of Shares held	Approximate percentage of issued share capital of the Company (Note 3)
TCL Corporation	Interest of controlled corporation	758,168,772 (Note 1)	38.30%
Mr. LAU Tom Ko Yuen	Interest of controlled corporation	156,930,029 (Note 2)	7.93%

Notes:

- For the purpose of the SFO, TCL Corporation is deemed to be interested in 758,168,772 Shares, of which (i) 11,156,272 Shares are directly held by T.C.L. Industries Holdings (H.K.) Limited, its wholly owned subsidiary and (ii) 747,012,500 Shares are indirectly held through TCL Intelligent Display Holdings Limited, a wholly owned subsidiary of T.C.L. Industries Holdings (H.K.) Limited which in turn is wholly owned by TCL Corporation.
- For the purpose of the SFO, Mr. LAU Tom Ko Yuen is deemed to be interested in 156,930,029 Shares directly held by Rally Praise Limited, a wholly owned subsidiary of Empire City International Limited, which is in turn wholly owned by Mr. LAU Tom Ko Yuen.
- Such percentage was calculated based on the total number of Shares and underlying shares in which each of the substantial shareholders was interested as notified to the Company and disclosed on the website of the 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 1,979,723,806 Shares.

Save as disclosed above, there is 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 debenture" above, who had notified the Company that as at 30 June 2016, he/she/it had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions in Division 2 and 3 of Part XV of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures", "Share Option Scheme" in the section "Other Information" and under note 18 to the financial statements and "Share Award Scheme" under note 17 to the financial statements in this Interim Report, at no time during the six months ended 30 June 2016 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or his/her spouse or children under 18 years of age, or were any such rights exercised by them; nor was the Company, or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

OTHER INFORMATION

SHARE OPTION SCHEME

By way of a resolution of the shareholders of the Company passed on the further special general meeting of the Company on 11 March 2015, the Company adopted a share option scheme ("Share Option Scheme") with effect from 25 June 2015, the purpose of which is to recognise and motivate the contribution of the eligible participants and to provide incentives and help the Group in retaining its existing employees and recruiting additional employees and to provide them with a direct economic interest in attaining the long term business objectives of the Group.

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

1. The participants of the Share Option Scheme are the employees of the Company or any of its subsidiaries (including any executive and non-executive director or proposed executive and non-executive director of the Company), adviser, consultant, agent, contractor, client or supplier of any member of the Group or any other person whom the Board in its sole discretion considers may contribute or have contributed to the Group.
2. The total number of Shares of the Company which may be issued upon exercise of all share options to be granted under the Share Option Scheme and any other schemes of the Company must not in aggregate exceed 10% of the shares of the Company in issue on the date of approval of each of the Share Option Scheme. The 10% limit may be refreshed with the approval by ordinary resolution of the Shareholders. The maximum number of Shares of the Company which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company must not exceed 30% of the Shares of the Company in issue from time to time.
3. The total number of Shares of the Company issued and to be issued upon exercise of share options (whether exercised or outstanding) granted under the Share Option Scheme in any 12-month period to each grantee must not exceed 1% of the Shares of the Company in issue.
4. The exercise period of any share option granted under the Share Option Scheme shall be determined by the Board but such period must not exceed ten years from the date of grant of the relevant share option.
5. The Share Option Scheme do not specify any minimum holding period but the Board has the authority to determine the minimum period for which a share option in respect of some or all of the Shares forming the subject of the share options must be held before it can be exercised.
6. The acceptance of an offer of the grant of the respective share options must be made within 5 business days from the date of offer with a non-refundable payment of HK\$1.00 from each grantee.
7. The exercise price of a share option to subscribe for Shares of the Company shall not be less than the following prices, whichever is higher:
 - the closing price of the Shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and
 - the average closing price of the Shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.

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

OTHER INFORMATION

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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 share options as set out in note 18 to the financial statements in this interim report.

As at 30 June 2016, total 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 was 252,605,470 Shares, which represented about 12.76% of the issued share capital of the Company as at 30 June 2016.

Movements of the share options under the Share Option Scheme during the six months ended 30 June 2016 are as follows:

Name or category of participant	As at 1 January 2016	Number of share options			As at 30 June 2016	Date of grant of share options	Exercise price of share options	Exercise period of share options
		Granted during the period	Exercised during the period	Lapsed during the period				
YUAN Bing	–	11,514,998	–	–	11,514,998	18 March 2016	0.74	Note 1
LI Jian	–	11,514,998	–	–	11,514,998	18 March 2016	0.74	Note 1
OUYANG Hongping	–	9,076,528	–	–	9,076,528	18 March 2016	0.74	Note 1
YANG Yunfang	–	6,976,734	–	–	6,976,734	18 March 2016	0.74	Note 1
ZHAO Yong	–	5,757,499	–	–	5,757,499	18 March 2016	0.74	Note 1
HSU Wai Man, Helen	–	260,000	–	–	260,000	18 March 2016	0.74	Note 1
XU Yan	–	260,000	–	–	260,000	18 March 2016	0.74	Note 1
LI Yang	–	260,000	–	–	260,000	18 March 2016	0.74	Note 1
Other employees of the Group	–	29,226,730	–	149,496	29,077,234	18 March 2016	0.74	Note 1
Employees of TCL Corporation Group (Note 2)	–	5,757,499	–	–	5,757,499	18 March 2016	0.74	Note 3

Notes:

- (i) 50% of such share options are exercisable commencing from 18 December 2016 to 17 March 2022; (ii) 30% of such share options are exercisable commencing from 18 December 2017 to 17 March 2022; and (iii) the remaining 20% of such share options are exercisable commencing from 18 December 2018 to 17 March 2022. In any event, no share option can be exercised after 17 March 2022.
- This represents participants who have contributed to the Group and who are also employees of TCL Corporation (the ultimate controlling shareholder of the Company) and/or its subsidiaries.
- Subject to the fulfillment of the conditions that the relevant holder (i) has paid the costs incurred or to be incurred by the Company for the relevant part of the share options and (ii) remains to be an employee of TCL Corporation Group on 31 December 2016, 31 December 2017 and 31 December 2018 respectively, (a) 50% of such share options are exercisable commencing from 18 December 2016 to 17 March 2022; (b) 30% of such share options are exercisable commencing from 18 December 2017 to 17 March 2022; and (c) the remaining 20% of such share options are exercisable commencing from 18 December 2018 to 17 March 2022. In any event, no share option can be exercised after 17 March 2022.

OTHER INFORMATION

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2016.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2016, the Company has complied with the code provisions (the "Code Provisions") of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, except for the deviation from Code Provisions A.6.7, E.1.2 and F.1.1. Whilst the reason for the deviation from Code Provision F.1.1 remains the same as those stated in the Company's 2015 annual report, the reasons for deviation from Code Provisions A.6.7 and E.1.2 are as follows:

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 commitments which must be attended to by each of them:

1. Mr. LI Yang, being an independent non-executive Director, was not able to attend the annual general meeting and special general meeting of the Company which were both held on 11 May 2016; and
2. Mr. YUAN Bing, being a non-executive Director, and Ms. HSU Wai Man, Helen, Mr. XU Yan and Mr. LI Yang, being independent non-executive Directors, were not able to attend the special general meeting of the Company held on 16 June 2016

Under Code Provision E.1.2, the chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that requires independent shareholders' approval.

Due to other pre-arranged commitments which must be attended to by him, Mr. XU Yan, being the chairman of the independent board committee, was not able to attend the special general meeting of the Company held on 16 June 2016 at which certain continuing connected transactions were approved. However, representative of Beijing Securities Limited, the independent financial adviser of the Company, was present at the said special general meeting to answer questions raised by the shareholders thereat.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted a code of conduct regarding directors' securities transactions on the same terms as set out in the Model Code. Having made specific enquiry with all directors, the directors confirmed that they have complied with the standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions during the six months ended 30 June 2016.

AUDIT COMMITTEE

The Company has established an audit committee for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises three members, namely, Ms. HSU Wai Man, Helen (as the chairlady), Mr. XU Yan and Mr. LI Yang, all of whom are independent non-executive directors of the Company. The Group's unaudited consolidated financial statements and the interim report for the six months ended 30 June 2016 have been reviewed by the audit committee, which is of the opinion that the preparation of such financial information complies with the applicable accounting standards, the requirements under the Listing Rules and any other applicable legal requirements, and that adequate disclosures have been made.

On behalf of the Board
YUAN Bing
Chairman