FIH® 富智康™

FIH Mobile Limited
富智康集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2038)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

The board of directors (the "Board") of FIH Mobile Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2015 together with comparative figures for the previous corresponding period as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2015

		Six months ended	
		30.6.2015	30.6.2014
	NOTES	***US$'000***	*US$'000*
		(unaudited)	(unaudited)
Turnover	*4*	**3,828,856**	2,283,452
Cost of sales		**(3,602,522)**	(2,142,365)
Gross profit		**226,334**	141,087
Other income, gains and losses		**120,313**	126,326
Selling expenses		**(9,930)**	(8,249)
General and administrative expenses		**(91,245)**	(78,342)
Research and development expenses		**(67,423)**	(68,705)
Impairment loss recognised for property, plant and equipment	*9*	**–**	(17,898)
Interest expense on bank borrowings		**(13,526)**	(4,107)
Share of loss of associates		**(1,795)**	(932)
Share of loss of joint ventures		**(424)**	(453)
Profit before tax		**162,304**	88,727
Income tax expense	*5*	**(33,740)**	(38,888)
Profit for the period	*6*	**128,564**	49,839

	NOTE	Six months ended **30.6.2015** ***US$'000*** **(unaudited)**	 30.6.2014 *US$'000* (unaudited)
Other comprehensive (expense) income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(19,355)**	(15,768)
Fair value loss on available-for-sale financial assets		**(55)**	(101)
Share of translation reserve of associates		**328**	1,019
Share of translation reserve of joint ventures		**85**	(22)
Other comprehensive expense for the period		**(18,997)**	(14,872)
Total comprehensive income for the period		**109,567**	34,967
Profit (loss) for the period attributable to:			
Owners of the Company		**129,829**	49,853
Non-controlling interests		**(1,265)**	(14)
		128,564	49,839
Total comprehensive income (expense) attributable to:			
Owners of the Company		**110,603**	34,981
Non-controlling interests		**(1,036)**	(14)
		109,567	34,967
Earnings per share	*8*		
Basic		**US1.68 cents**	US0.66 cent
Diluted		**US1.67 cents**	US0.65 cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2015

	NOTES	**30.6.2015** *US$'000* **(unaudited)**	31.12.2014 *US$'000* (audited)
Non-current assets			
Property, plant and equipment	*9*	**870,911**	907,718
Investment properties	*9*	**7,342**	2,271
Prepaid lease payments		**45,400**	47,084
Available-for-sale investments	*10*	**40,111**	25,217
Interests in associates		**39,539**	35,077
Interests in joint ventures		**4,334**	4,673
Deferred tax assets	*11*	**63,097**	61,280
Deposit for acquisition of prepaid lease payments		**31,198**	31,160
		1,101,932	1,114,480
Current assets			
Inventories		**532,848**	595,572
Trade and other receivables	*12*	**1,884,455**	2,445,104
Short-term investments	*13*	**541,945**	299,440
Bank deposits		**478,160**	523,734
Bank balances and cash		**1,831,555**	1,844,192
		5,268,963	5,708,042
Current liabilities			
Trade and other payables	*14*	**1,982,835**	2,494,056
Bank borrowings	*15*	**337,924**	178,730
Provision	*16*	**30,525**	27,985
Tax payable		**135,989**	160,916
		2,487,273	2,861,687
Net current assets		**2,781,690**	2,846,355
Total assets less current liabilities		**3,883,622**	3,960,835
Capital and reserves			
Share capital		**311,579**	311,579
Reserves		**3,533,853**	3,609,139
Equity attributable to owners of the Company		**3,845,432**	3,920,718
Non-controlling interests		**8,116**	9,152
Total equity		**3,853,548**	3,929,870
Non-current liabilities			
Deferred tax liabilities	*11*	**240**	249
Deferred income	*17*	**29,834**	30,716
		30,074	30,965
		3,883,622	3,960,835

Notes:

1. **INDEPENDENT REVIEW**

The interim results for the six months ended 30 June 2015 are unaudited, but have been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The unmodified review report is included in the interim report to be sent to the Company's shareholders.

2. **BASIS OF PREPARATION**

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB") as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

3. **PRINCIPAL ACCOUNTING POLICIES**

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014.

In the current interim period, the Group has applied, for the first time, a number of amendments to International Financial Reporting Standards ("IFRSs") issued by the IASB, which are effective for the Group's financial year beginning on 1 January 2015.

The application of the amendments to IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

4. **SEGMENT INFORMATION**

The Group determines its operating segments based on internal reports reviewed by the chief operating decision maker, the Chief Executive Officer, for the purposes of allocating resources to the segment and to assess its performance.

The Group's operations are organised into three operating segments based on the location of customers – Asia, Europe and America.

The Group's revenue is mainly arising from the manufacturing services to its customers in connection with the production of handsets.

The following is an analysis of the Group's revenue and results by operating and reportable segments:

	Six months ended	
	30.6.2015	30.6.2014
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Segment revenue (external sales)		
Asia	**2,470,198**	1,382,696
Europe	**123,938**	542,063
America	**1,234,720**	358,693
Total	**3,828,856**	2,283,452
Segment profit		
Asia	**204,473**	144,464
Europe	**748**	8,263
America	**48,744**	32,225
	253,965	184,952
Other income, gains and losses	**82,752**	74,212
General and administrative expenses	**(91,245)**	(78,342)
Research and development expenses	**(67,423)**	(68,705)
Impairment loss recognised for property, plant and equipment	**–**	(17,898)
Interest expense on bank borrowings	**(13,526)**	(4,107)
Share of loss of associates	**(1,795)**	(932)
Share of loss of joint ventures	**(424)**	(453)
Profit before tax	**162,304**	88,727

Majority of the Group's sales to Asian customers is attributed to the People's Republic of China (the "PRC").

Segment profit represents the gross profit earned by each segment and the service income (included in other income) after deducting all selling expenses. This is the measure reported to the Chief Executive Officer for the purposes of resources allocation and performance assessment.

5. INCOME TAX EXPENSE

The charge comprises:

	Six months ended	
	30.6.2015	30.6.2014
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Current tax:		
Other jurisdictions	**33,958**	28,951
Underprovision in prior periods:		
Other jurisdictions	**2,138**	4,464
Deferred tax *(note 11)*		
Current period	**(2,356)**	5,473
	33,740	38,888

No provision for Hong Kong Profits Tax has been made as the Group does not have assessable profit in Hong Kong.

Tax charge mainly consists of income tax in the PRC attributable to the assessable profits of the Company's subsidiaries established in the PRC. Under the law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% (2014: 25%). Two of the Company's PRC subsidiaries were awarded with the Advanced – Technology Enterprise Certificate and entitled for a tax reduction from 25% to 15% during 2013 to 2016, respectively. Except these two subsidiaries, other PRC subsidiaries are subject to Enterprise Income Tax at 25% (2014: 25%).

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

6. PROFIT FOR THE PERIOD

	Six months ended	
	30.6.2015	30.6.2014
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging (crediting):		
Amortisation of prepaid lease payments (included in general and administrative expenses)	**548**	550
Depreciation of property, plant and equipment	**70,114**	70,439
Depreciation of investment properties	**112**	87
Total depreciation and amortisation	**70,774**	71,076
Cost of inventories recognised as expense	**3,574,933**	2,127,705
Loss on disposal of property, plant and equipment	**1,546**	1,340
Loss (gain) from changes in fair value of financial assets classified as held-for-trading	**1,758**	(506)
Provision for warranty	**9,210**	4,381
Write down of inventories to net realisable value	**18,379**	10,279
(Reversal of) impairment loss recognised in respect of trade receivables	**(36)**	260
Loss on disposal of prepaid lease payments	**(228)**	–
Gain from changes in fair value of financial assets designated as at fair value through profit or loss ("FVTPL")	**(7,659)**	(3,310)
Interest income from bank deposits	**(32,298)**	(30,168)

7. DIVIDENDS

	Six months ended	
	30.6.2015	30.6.2014
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Dividends recognised as distribution during the period		
2014 final – US$0.00544 (2014: nil) per share	**42,359**	–
Special – US$0.01926 (2014: nil) per share	**150,000**	–
	192,359	–

No dividend was declared or proposed for the six months ended 30 June 2015 (for the six months ended 30 June 2014: nil). The directors do not recommend the payment of an interim dividend.

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended	
	30.6.2015	30.6.2014
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Earnings attributable to the owners of the Company		
Earnings for the purposes of basic and diluted earnings per share	**129,829**	49,853

	Six months ended	
	30.6.2015	30.6.2014
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**7,743,466,880**	7,551,552,451
Effect of dilutive potential ordinary shares relating to outstanding share options and share awards issued by the Company	**46,005,317**	92,004,453
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**7,789,472,197**	7,643,556,904

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the current period, the Group acquired property, plant and equipment of approximately US$61,383,000 (2014: US$52,411,000).

In addition, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of US$16,002,000 (2014: US$16,970,000) for proceeds of US$12,979,000 (2014: US$15,630,000), resulting in a loss on disposal of US$3,023,000 (2014: US$1,340,000).

During the current period, certain machinery, fixtures and equipment with an aggregate carrying amount of US$3,343,000 were transferred as the consideration for the acquisition of interest in an associate, and a gain of US$1,477,000 was recognised in profit or loss (included in other income) during the six months ended 30 June 2015.

During the current period, certain buildings with an aggregate carrying amount of US$5,487,000 (2014: nil) were transferred from property, plant and equipment to investment properties because their use has changed as evidenced by end of owner-occupation.

The Group reviews property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. As at 30 June 2015, the management considered that there was no indicator that the carrying amount of property, plant and equipment might not be recoverable. As at 30 June 2014, the management assessed the recoverable amounts of certain buildings and plant and machinery as a result of the deteriorating market demand and changing economic environment. Impairment of such buildings and plant and machinery was measured by comparing its carrying amount to its recoverable amount which was determined based on its value in use and estimated by reference to the projected discounted cash flows that were expected to generate from it. As a result of the assessment, an impairment loss of US$17,898,000 had been recognised during the period ended 30 June 2014.

10. AVAILABLE-FOR-SALE INVESTMENTS

	30.6.2015	31.12.2014
	US$'000	*US$'000*
	(unaudited)	(audited)
Unlisted equity investments *(note a)*	**32,415**	17,466
Investment in a private fund *(note b)*	**7,696**	7,751
Total of available-for-sale ("AFS") investments analysed for reporting purposes as non-current assets	**40,111**	25,217

Notes:

(a) At 30 June 2015, included in the equity investments, they are investments in unlisted equity securities issued by certain private entities which are incorporated or operated in the PRC, the United States, Switzerland and the Cayman Islands (31.12.2014: the PRC, the United States and the Cayman Islands). They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that its fair value cannot be measured reliably.

(b) The amount represents the investment in a private fund domiciled in the Cayman Islands. The investment is measured at fair value derived from observable market values of underlying assets at the end of the reporting period.

11. DEFERRED TAXATION

The following are the major deferred tax (assets) liabilities recognised and movements thereon for the period:

	Allowances for inventories and trade and other receivables	**Warranty provision**	**Accelerated tax depreciation**	**Tax losses**	**Deferred income**	**Others**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000* *(Note)*	*US$'000*
At 1 January 2014	(14,700)	(2,813)	2,143	(11,315)	(8,198)	(26,892)	(61,775)
Charge (credit) to profit or loss for the period	4,621	(100)	(1,822)	426	1,446	902	5,473
Exchange adjustments	104	24	(6)	(26)	73	203	372
At 30 June 2014	(9,975)	(2,889)	315	(10,915)	(6,679)	(25,787)	(55,930)
At 1 January 2015	**(14,919)**	**(3,018)**	**2,391**	**(8,224)**	**(6,481)**	**(30,780)**	**(61,031)**
(Credit) charge to profit or loss for the period	**(1,163)**	**(788)**	**236**	**1,437**	**202**	**(2,280)**	**(2,356)**
Exchange adjustments	**20**	**2**	**(126)**	**378**	**(7)**	**263**	**530**
At 30 June 2015	**(16,062)**	**(3,804)**	**2,501**	**(6,409)**	**(6,286)**	**(32,797)**	**(62,857)**

Note: Others mainly represent temporary difference arising from accrued expenses.

For the purposes of presentation in the condensed consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	30.6.2015	31.12.2014
	US$'000	*US$'000*
	(unaudited)	(audited)
Deferred tax assets	**(63,097)**	(61,280)
Deferred tax liabilities	**240**	249
	(62,857)	(61,031)

At 30 June 2015, the Group has not recognised deductible temporary differences on allowances for inventories, trade and other receivables, warranty provision, deferred income, impairment loss of property, plant and equipment and other accrued expenses of approximately US$146,238,000 (31.12.2014: US$175,596,000) as it is not probable that taxable profit will be available against which the deductible temporary difference can be utilised.

At 30 June 2015, the Group has unused tax losses of US$846,807,000 (31.12.2014: US$877,309,000) available for offset against future profits. A deferred tax asset had been recognised in respect of approximately US$21,363,000 (31.12.2014: US$27,413,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of US$825,444,000 (31.12.2014: US$849,896,000) either due to the unpredictability of future profit streams or because it is not probable that the unused tax losses will be available for utilisation before their expiry. The unrecognised tax losses will expire before 2019.

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. No deferred tax liability has been recognised in respect of temporary differences associated with undistributed earnings of subsidiaries from 1 January 2008 onwards of approximately US$1,130,710,000 (31.12.2014: US$1,009,903,000) as at the end of the reporting period because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

12. TRADE AND OTHER RECEIVABLES

	30.6.2015	31.12.2014
	US$'000	*US$'000*
	(unaudited)	(audited)
Trade receivables	**1,695,620**	2,255,872
Other receivables, deposits and prepayments	**188,835**	189,232
	1,884,455	2,445,104

The Group normally allows an average credit period of 30 to 90 days to its trade customers, except certain customers with a good track record which may be granted a longer credit period.

The following is an aged analysis of trade receivables net of allowance for doubtful debts as presented based on the invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates:

	30.6.2015	31.12.2014
	US$'000	*US$'000*
	(unaudited)	(audited)
0–90 days	**1,532,588**	2,083,763
91–180 days	**133,718**	159,682
181–360 days	**21,763**	10,684
Over 360 days	**7,551**	1,743
	1,695,620	2,255,872

13. SHORT-TERM INVESTMENTS

	30.6.2015	31.12.2014
	US$'000	*US$'000*
	(unaudited)	(audited)
Listed securities held-for-trading	**5,137**	6,895
Investments in interest bearing instruments designated as financial assets at FVTPL *(note)*	**536,808**	292,545
	541,945	299,440

Note: The amounts represented investments with guaranteed interests acquired from banks in the PRC.

14. TRADE AND OTHER PAYABLES

	30.6.2015	31.12.2014
	US$'000	*US$'000*
	(unaudited)	(audited)
Trade payables	**1,473,327**	1,969,509
Accruals and other payables	**509,508**	524,547
	1,982,835	2,494,056

The following is an aged analysis of trade payables as presented based on the invoice dates at the end of the reporting period:

	30.6.2015	31.12.2014
	US$'000	*US$'000*
	(unaudited)	(audited)
0–90 days	**1,433,265**	1,917,632
91–180 days	**32,827**	43,835
181–360 days	**4,650**	5,824
Over 360 days	**2,585**	2,218
	1,473,327	1,969,509

15. BANK BORROWINGS

	30.6.2015	31.12.2014
	US$'000	*US$'000*
	(unaudited)	(audited)
Bank loans	**337,924**	178,730
Analysis of bank borrowings by currency:		
United States Dollars	**286,251**	178,730
Japanese Yen	**51,673**	–
	337,924	178,730

The bank borrowings as at the end of the reporting period are unsecured, with original maturity of one to six months (31.12.2014: one to three months), repayable within one year and carry interest at fixed interest rates ranging from 0.35% to 1.75% (31.12.2014: 0.95% to 1.46%) per annum.

16. PROVISION

	Warranty provision
	US$'000
At 1 January 2014	31,503
Exchange adjustments	(773)
Provision for the year	8,821
Utilisation of provision	(11,566)
At 31 December 2014	27,985
Exchange adjustments	295
Provision for the period	9,210
Utilisation of provision	(6,965)
At 30 June 2015	30,525

The warranty provision represents management's best estimate of the Group's liability under twelve to twenty-four months' warranty granted on handset products, based on prior experience and industry averages for defective products.

17. DEFERRED INCOME

	30.6.2015	31.12.2014
	US$'000	*US$'000*
	(unaudited)	(audited)
Government subsidies	**29,834**	30,716

Government subsidies granted to the Company's subsidiaries in the PRC are released to income over the useful lives of the related depreciable assets.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Results and Operations

For the six-month period ended 30 June 2015, the Group recognised a consolidated turnover of US$3,829 million, representing an increase of 67.7% from US$2,283 million for the same period last year. Gross profit for the period reached US$226 million, representing an increase of US$85 million from that for the same period last year. Profit attributable to owners of the Company for the period was US$130 million, representing an increase of US$80 million from that for the same period last year. Basic earnings per share for the period was US1.68 cents.

The profit increment was mainly driven by continuous gross profit expansion (which was in turn due to corresponding increase in turnover as a result of greater orders from customers), much less asset impairment loss, and reduction of effective income tax rate. The Group has successfully developed and maintained more concrete relationships with its Chinese and international customers which found the Group's solid R&D (research and development) capability, advanced technology and large capacity instrumental to their competitive edge in the dynamic market. New customer development efforts have continued, and coupled with ongoing penetration of existing customers, the Group has succeeded to further broaden its customer base thereby reducing the impact of possible client share reshuffling and giving rise to increase in topline and ultimate earnings.

With rising adoption of metal casings in the handset market, the Group has been increasing higher margin component business contributions from both existing and new customers, and will continue to invest in PD (product design)/PM (product management) and R&D capability to further strengthen its ODM (original design manufacturing) competence and attract more potential customers. The one-stop shopping/end-to-end services and abundant resources of the Group (with support from its ultimate controlling shareholder, Hon Hai Precision Industry Co. Ltd. together with its other subsidiaries, which offer scale, solid experience and stable supply of key components and vertical integration) are especially attractive for Chinese and global brands, Internet companies and telecommunications operators, who need top-notched manufacturing and product development services on hardware devices to shorten the time for their products to be launched in the market.

With reference to its strong business performance, the Group has remained lean and managed to maintain operating expense at reasonable stable level of US$169 million (when compared with US$155 million for the same period last year) on the basis of the corresponding turnover, with expense ratio being improved to 4.4% from 6.8% for the same period last year. The Group's management has continued cost control initiatives, and the ongoing roll-out of automation manufacturing process has mitigated the impact of rising labour cost and also enhanced efficiency.

Across overall business, Asia segment remained the Group's core performance contributor, and the revenue of Asia segment was US$2,470 million, representing a growth of 78.6% from that for the same period last year, and recorded earnings of US$204 million, reflecting 41.7% growth over those for the same period last year. This was mainly driven by the sustainable growth of Chinese brands and successful new customer development and enhanced operation efficiency. The emerging Chinese brands have continued to gain market shares from global brands due to the former's attractive pricing and localised design. The performance of Europe segment remained weak as the economic environment there was comparatively not good and there has been a relatively aggressive pricing strategy, recording earnings of US$1 million when compared with earnings of US$8 million for the same period last year, and the performance of Europe segment did not have much adverse impact on the Group's overall performance. The America segment became gradually stabilised on the basis of improving economic environment and improvement in employment, recording earnings of US$49 million when compared with earnings of US$32 million for the same period last year, and the performance of America segment had provided positive support and impact to the Group's overall performance.

For the current period, production capacity, including metal casing, was increased to cope with higher customer demands; at the same time, the Group has continued to review its global capacities to optimise resources and increase capacity in emerging markets like India, with the aim to enjoying operating leverage expansion alongside an upturn in the capital expenditure cycle.

At the Company's annual general meeting held on 28 May 2015, the Company's declaration and payment of dividends (comprising a final dividend of US$0.00544 per share and a special dividend of US$0.01926 per share), amounting to an aggregate amount of approximately US$192 million, was duly approved by its shareholders, and such dividends were paid on or about 18 June 2015.

The good operating result demonstrates the continuous efforts made by the Group's management team and the staff, and the Group's management strongly believes the Group's current business has been moving on the right track with more healthy and diversified customer mix, and will continue to develop more solid relationships with current and potential customers by offering manufacturing, ODM, JDM (joint development manufacturing), solutions, repair and other value-added services.

Liquidity and Financial Resources

As at 30 June 2015, the Group had a cash balance of US$1,832 million (2014: US$1,844 million). The cash balance is expected to be able to finance its operations. The Group's gearing ratio, expressed as a percentage of interest bearing external borrowings of US$338 million (2014: US$179 million) over total assets of US$6,371 million (2014: US$6,823 million), was 5.31% (2014: 2.62%). All of the external borrowings were denominated in US Dollars and Japanese Yen (2014: US Dollars). The Group borrowed according to real demand and there were no bank committed borrowing facilities and no seasonality of borrowing requirements. The outstanding interest bearing external borrowings were all at fixed rate ranging from 0.35% to 1.75% per annum with original maturity of 1 to 6 months (2014: 1 to 3 months).

As at 30 June 2015, the Group's cash and cash equivalents were mainly held in US Dollars and RMB.

Net cash from operating activities for the six months ended 30 June 2015 was US$285 million.

Net cash used in investing activities for the six months ended 30 June 2015 was US$260 million, of which, mainly, US$61 million represented the expenditures on property, plant and equipment related to the facilities in the Group's major sites in the PRC, US$41 million represented withdrawal of bank deposits, US$1,381 million represented purchase of short-term investments, US$13 million represented purchase of available-for-sale investments, US$1 million represented acquisition of investment in an associate, US$13 million represented proceeds from disposal of property, plant and equipment, US$1 million represented proceeds from disposal of prepaid lease payments and US$1,141 million represented proceeds from settlements of short-term investments.

Net cash used in financing activities for the six months ended 30 June 2015 was US$31 million, primarily due to net increase in bank borrowings of US$161 million and dividends paid of US$192 million.

Exposures to Currency Risk and Related Hedges

In order to mitigate foreign currency risks, the Group actively utilised natural hedge technique to manage its foreign currency exposures by non-financial methods, such as managing the transaction currency, leading and lagging payments, receivable management, etc.

Besides, the Group sometimes entered into short-term forward foreign currency contracts (usually with tenors less than 3 months) to hedge the currency risk resulting from its short-term bank borrowings (usually with tenors of 1 to 6 months) denominated in foreign currencies. Also, the Group, from time to time, utilised a variety of forward foreign currency contracts to hedge its exposure to foreign currencies.

Capital Commitment

As at 30 June 2015, the capital commitment of the Group was US$33.5 million (2014: US$54.6 million). Usually, the capital commitment will be funded by cash generated from operations.

Pledge of Assets

There was no pledge of the Group's assets as at 30 June 2015 and 31 December 2014.

Outlook

Looking ahead, the Group will continue to devote resources to enhance its core competences and remain agile and competitive and provide its customers with differentiated value-added/end-to-end solutions from design and manufacturing to repair, logistics and distribution and develop much more stable long-term business relationships with the Group's existing and potential customers, especially those in emerging markets and in the mobile Internet business. Chinese brands have continued to gain share in China home market and turned more aggressive in overseas markets. To support its customers' strong momentum, the Group has been expanding its local manufacturing service and component supply chain support in non-China emerging markets like India which are expected to become the next growth driver.

Apart from the existing business, the Group is dedicated to exploiting new business by establishing strategic partnerships and making equity investments, which are expected to be funded by cash generated from the Group's operations.

The Group has been endeavouring to move up the value chain in the mobile devices ecosystem, and the Group's management believes integrating value-added services with hardware devices could create greater growth energy for both the Group and its customers. The synergy could be significant as the software capability and services would help the Group differentiate itself from its competitors in respect of hardware devices.

Looking ahead, the Group's management expects increasing market challenges and uncertainties. Nevertheless, the Group's management is committed to continue its relentless drive with extra efforts to stay competitive and cost-effective.

Employees

As at 30 June 2015, the Group had a total of 77,061 (31.12.2014: 83,084) employees. Total staff costs incurred during the six months ended 30 June 2015 amounted to US$203 million (30.6.2014: US$181 million). The Group offers a comprehensive remuneration policy which is reviewed by the management on a regular basis.

The Company has adopted a share scheme and a share option scheme respectively. The share option scheme complies with the requirements of Chapter 17 of the Listing Rules.

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 2015.

AUDIT COMMITTEE

The Company has established and maintained an audit committee in accordance with the requirements of the Listing Rules, particularly the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules (the "CG Code"). Its primary duties are to review the Group's financial reporting process and internal control system, nominate and monitor external auditors and provide advice and comments to the Board. The audit committee is comprised of three non-executive directors, two of whom are independent non-executive directors (among whom one of the independent non-executive directors has the appropriate professional qualifications or accounting or related financial management expertise as required under the Listing Rules).

The audit committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2015 and the Company's interim report for such six-month period and recommended the same to the Board for approval.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"). Following specific enquiry made by the Company, all the directors of the Company have confirmed that they have complied with the required standards set out in the Model Code in respect of the Company's securities throughout the six months ended 30 June 2015.

CORPORATE GOVERNANCE

The Company has applied and complied with all the code provisions set out in the CG Code during the period from 1 January 2015 to 30 June 2015.

DISCLOSURE OF INFORMATION ON WEBSITES

The interim report 2015 of the Company containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and made available on the websites of The Stock Exchange of Hong Kong Limited and the Company respectively in due course.

By Order of the Board
Tong Wen-hsin
Chairman

Hong Kong, 12 August 2015

As at the date of this announcement, the executive directors of the Company are Messrs. Tong Wen-hsin and Chih Yu Yang and Dr. Lee Jer Sheng, the non-executive director of the Company is Dr. Lee Kuo Yu and the independent non-executive directors of the Company are Messrs. Lau Siu Ki and Chen Fung Ming and Dr. Daniel Joseph Mehan.