FIH® 富智康™

FIH Mobile Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2038

INTERIM REPORT

2015

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CORPORATE INFORMATION

FIH MOBILE LIMITED
(the "Company", and together with its subsidiaries, the "Group")

EXECUTIVE DIRECTORS
TONG Wen-hsin *(Chairman)*
CHIH Yu Yang *(Chief Executive Officer)*
LEE Jer Sheng

NON-EXECUTIVE DIRECTOR
LEE Kuo Yu

INDEPENDENT NON-EXECUTIVE DIRECTORS
LAU Siu Ki
Daniel Joseph MEHAN
CHEN Fung Ming

COMPANY SECRETARY
LAW Sai Hay

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AUDITORS
Deloitte Touche Tohmatsu

LEGAL ADVISORS
Clifford Chance, Hong Kong
Freshfields Bruckhaus Deringer, Hong Kong
Mayer Brown JSM, Hong Kong

PRINCIPAL BANKERS
Agricultural Bank of China
Bank of Beijing
Bank of China
China Guangfa Bank
China Merchants Bank
Chinatrust Commercial Bank
Citibank
Industrial Bank
Industrial and Commercial Bank of China
Mizuho Corporate Bank
Standard Chartered Bank
Taipei Fubon Bank
The Hongkong and Shanghai Banking
Corporation Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
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(Cayman) Limited
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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Computershare Hong Kong Investor
Services Limited
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Hong Kong

STOCK CODE
2038

Deloitte.
德勤

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF FIH MOBILE LIMITED

Introduction

We have reviewed the condensed consolidated financial statements of FIH Mobile Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 4 to 33, which comprise the condensed consolidated statement of financial position as of 30 June 2015 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review 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. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
12 August 2015

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	NOTES	Six months ended 30.6.2015 US$'000 (unaudited)	30.6.2014 US$'000 (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
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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	NOTE	Six months ended **30.6.2015** **US$'000** **(unaudited)**	30.6.2014 US$'000 (unaudited)
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	11	**39,539**	35,077
Interests in joint ventures		**4,334**	4,673
Deferred tax assets	12	**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	13	**1,884,455**	2,445,104
Short-term investments	14	**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	15	**1,982,835**	2,494,056
Bank borrowings	16	**337,924**	178,730
Provision	17	**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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

AT 30 JUNE 2015

	NOTES	30.6.2015 US$'000 (unaudited)	31.12.2014 US$'000 (audited)
Capital and reserves			
Share capital	18	**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	12	**240**	249
Deferred income	19	**29,834**	30,716
		30,074	30,965
		3,883,622	3,960,835

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Attributable to owners of the Company											
	Share capital	Share premium	Special reserve	Revaluation reserve	Other reserve	Legal reserve	Translation reserve	Share compensation reserve	Retained profits	Total	Non-controlling interests	Total equity
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Balance at 1 January 2014 (audited)	302,963	985,478	15,514	–	(2,866)	166,240	490,051	1,296	1,739,989	3,698,665	9,824	3,708,489
Other comprehensive expense for the period	–	–	–	(101)	–	–	(14,771)	–	–	(14,872)	–	(14,872)
Profit (loss) for the period	–	–	–	–	–	–	–	–	49,853	49,853	(14)	49,839
Total comprehensive (expense) income for the period	–	–	–	(101)	–	–	(14,771)	–	49,853	34,981	(14)	34,967
Issue of ordinary shares under Former Option Scheme and Existing Share Scheme	6,355	74,205	–	–	–	–	–	(66,240)	–	14,320	–	14,320
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	21,061	–	21,061	–	21,061
Payment made for equity-settled share-based payments	–	–	–	–	–	–	–	(5,353)	–	(5,353)	–	(5,353)
Transfer to legal reserve	–	–	–	–	–	258	–	–	(258)	–	–	–
Transfer *(note)*	–	–	–	–	–	–	–	(36)	36	–	–	–
Balance at 30 June 2014 (unaudited)	309,318	1,059,683	15,514	(101)	(2,866)	166,498	475,280	(49,272)	1,789,620	3,763,674	9,810	3,773,484
Balance at 1 January 2015 (audited)	**311,579**	**1,090,444**	**15,514**	**(749)**	**(951)**	**166,495**	**434,463**	**(14,165)**	**1,918,088**	**3,920,718**	**9,152**	**3,929,870**
Other comprehensive (expense) income for the period	**-**	**-**	**-**	**(55)**	**-**	**-**	**(19,171)**	**-**	**-**	**(19,226)**	**229**	**(18,997)**
Profit (loss) for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**129,829**	**129,829**	**(1,265)**	**128,564**
Total comprehensive (expense) income for the period	**-**	**-**	**-**	**(55)**	**-**	**-**	**(19,171)**	**-**	**129,829**	**110,603**	**(1,036)**	**109,567**
Recognition of equity-settled share-based payments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**6,470**	**-**	**6,470**	**-**	**6,470**
Dividends recognised as distribution *(note 7)*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(192,359)**	**(192,359)**	**-**	**(192,359)**
Transfer to legal reserve	**-**	**-**	**-**	**-**	**-**	**357**	**-**	**-**	**(357)**	**-**	**-**	**-**
Balance at 30 June 2015 (unaudited)	**311,579**	**1,090,444**	**15,514**	**(804)**	**(951)**	**166,852**	**415,292**	**(7,695)**	**1,855,201**	**3,845,432**	**8,116**	**3,853,548**

Note: The amount represents aggregate of the amount previously recognised in share compensation reserve in respect of those share options forfeited after vesting date.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Six months ended	
	30.6.2015	30.6.2014
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Net cash from operating activities	**285,450**	191,812
Investing activities		
Purchase of short-term investments	**(1,380,835)**	(545,906)
Purchase of property, plant and equipment	**(61,383)**	(52,411)
Purchase of available-for-sale investments	**(13,068)**	(33,084)
Acquisition of investment in an associate	**(1,083)**	–
Proceeds on disposal of prepaid lease payments	**1,412**	–
Proceeds from disposal of property, plant and equipment	**12,979**	15,630
Withdrawal of bank deposits for investing purpose	**40,871**	163,589
Proceeds on settlements of short-term investments	**1,141,126**	–
Net cash used in investing activities	**(259,981)**	(452,182)
Financing activities		
Bank borrowings repaid	**(1,563,079)**	(1,733,140)
Dividends paid	**(192,359)**	–
Bank borrowings raised	**1,723,986**	1,697,506
Proceeds from issue of new shares	**–**	14,320
Net cash used in financing activities	**(31,452)**	(21,314)
Net decrease in cash and cash equivalents	**(5,983)**	(281,684)
Cash and cash equivalents at 1 January	**1,844,192**	2,124,079
Effect of foreign exchange rate changes	**(6,654)**	(20,896)
Cash and cash equivalents as at 30 June, representing bank balances and cash	**1,831,555**	1,821,499

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

1. 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").

2. 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.

3. KEY SOURCES OF ESTIMATION UNCERTAINTY

Except as described below, the key sources of estimation uncertainty which have been assessed by the directors of the Company are the same as those disclosed in the preparation of the Group's annual financial statements for the year ended 31 December 2014.

Key sources of estimation uncertainty

Estimated impairment of unlisted equity investments classified as available-for-sale

In determining impairment of unlisted equity investments classified as available-for-sale, the Group estimated its share of the present value of the estimated future cash flows expected to be generated by the investments. Any impairment loss is recognised by write down of the investments to their estimated recoverable amount. After making such assessment, the directors of the Company are of the view that no impairment loss of unlisted equity investments classified as available-for-sale was necessary during the period. Details of the investments are disclosed in note 10.

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.

4. SEGMENT INFORMATION *(Continued)*

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").

4. SEGMENT INFORMATION (*Continued*)

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 12)*		
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

8. EARNINGS PER SHARE (*Continued*)

	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 (see note 11), 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.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES (*Continued*)

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 ***US$'000*** **(unaudited)**	31.12.2014 *US$'000* (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. INTERESTS IN ASSOCIATES

	30.6.2015 ***US$'000*** **(unaudited)**	31.12.2014 *US$'000* (audited)
Cost of investments in associates, less impairment		
Listed outside Hong Kong	**21,541**	20,432
Unlisted	**23,331**	18,511
Share of post-acquisition loss and other comprehensive expense, net of dividend received	**(5,333)**	(3,866)
	39,539	35,077

On 31 March 2015, the Group entered into an investment agreement to acquire 41.18% interests in 杭州耕德電子有限公司 (Hangzhou Gengde Electronics Co., Ltd. for identification purposes only) ("Gengde"), a private entity incorporated in the PRC and principally engaged in the business of design, development and manufacturing of electronic devices and handset accessories. The consideration was settled by transferring certain machinery, fixtures and equipment to Gengde valued at RMB29,533,000 (approximately equivalent to US$4,820,000). The acquisition was completed on 14 May 2015.

During the period ended 30 June 2015, one of the associates, migme Limited ("MIG") issued some new ordinary shares for asset acquisition and services provided by employees and also offered a private placement of its ordinary shares. The Group participated in the private placement and acquired 2,079,104 ordinary shares in MIG at a consideration of approximately AU$1,393,000 (approximately equivalent to US$1,083,000) (the "Subscription"). As a result, the Group's interest in MIG decreased from 19.9% to 19.87% and a gain on deemed disposal of an associate of US$26,000 was recognised in profit or loss (included in other income) from the Subscription during the six months ended 30 June 2015.

12. 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.

12. DEFERRED TAXATION *(Continued)*

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.

13. 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

14. 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.

15. 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

16. 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.

17. 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.

18. SHARE CAPITAL

	Number of shares	Amount
		US$'000
Ordinary shares of US$0.04 each, authorised:		
Balance at 1 January 2014, 31 December 2014 and 30 June 2015	20,000,000,000	800,000
Ordinary shares of US$0.04 each, issued and fully paid:		
Balance at 1 January 2014	7,574,063,274	302,963
Exercise of share options *(note 21(a))*	77,022,839	3,081
Issue pursuant to the Existing Share Scheme *(note 21(b))*	138,386,084	5,535
Balance at 31 December 2014 and 30 June 2015	7,789,472,197	311,579

19. 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.

20. CAPITAL COMMITMENTS

	30.6.2015	31.12.2014
	US$'000	*US$'000*
	(unaudited)	(audited)
Commitments for the acquisition of property, plant and equipment contracted but not provided for	**33,472**	54,555

21. SHARE-BASED PAYMENT TRANSACTIONS

(a) Equity-settled share option scheme

On 12 January 2005, the Company adopted a share option scheme (the "Former Option Scheme") for the primary purpose of attracting skilled and experienced personnel and incentivising them to remain with the Group. In order to ensure the continuity of a share option scheme for the Company to reward, motivate and retain eligible persons, the Company adopted a new share option scheme (the "Existing Option Scheme") on 26 November 2013 and consequentially terminated the Former Option Scheme. For the avoidance of doubt, no further options would be granted under the Former Option Scheme after its termination, but in all other aspects, the provisions of the Former Option Scheme should remain in full force and effect. Accordingly, all options granted prior to the termination of the Former Option Scheme and not then exercised should remain valid and should continue to be subject to the provisions of the Former Option Scheme and Chapter 17 of the Listing Rules. The Existing Option Scheme will expire on 25 November 2023, unless otherwise terminated in accordance with its terms.

Currently, no options have been granted under the Existing Option Scheme. All outstanding share options granted but not then exercised under the Former Option Scheme were lapsed in their entirety as at 31 December 2014 and therefore the Former Option Scheme was expired as at 31 December 2014. No share option is exercisable as at 30 June 2015 and 31 December 2014.

Details of the then outstanding share options granted under the Former Option Scheme during the year ended 31 December 2014 are as follows:

Option type	Outstanding at 1.1.2014	Granted during the year	Exercised during the year	Lapsed/ expired during the year	Cancelled during the year	Outstanding at 31.12.2014
2011	157,670,091	–	(77,022,839)	(80,647,252)	–	–

No expense (2014: an expense of US$9,000) in relation to the share options granted by the Company was recognised by the Group for the six months ended 30 June 2015.

21. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(b) Other share-based payment plan

Pursuant to a share scheme adopted by the Company on 12 January 2005 and amended by shareholders' resolution and the board resolution dated 4 August 2006 and 29 October 2009, respectively (the "Former Share Scheme"), the Company might grant free shares to the directors or employees of the Company or its subsidiaries or third party service providers including employees of 鴻海精密工業股份有限公司 (Hon Hai Precision Industry Co. Ltd. for identification purposes only) ("Hon Hai") and any of its subsidiaries.

In order to ensure the continuity of a share scheme for the Company to reward, motivate and retain eligible persons, the Company adopted a new share scheme (the "Existing Share Scheme", and together with the Former Share Scheme, the "Share Schemes") on 26 November 2013 and consequentially terminated the Former Share Scheme. For the avoidance of doubt, no further free shares would be granted under the Former Share Scheme after its termination, but in all other aspects, the provisions of the Former Share Scheme shall remain in full force and effect. Accordingly, all free shares granted prior to the termination of the Former Share Scheme and not then vested shall remain valid and shall continue to be subject to the provisions of the Former Share Scheme.

Pursuant to the approval of the Company's officers/delegates (as duly authorised by the board of directors of the Company) on 8 May 2014, the Company offered 138,267,922 ordinary shares to certain beneficiaries pursuant to the Existing Share Scheme with lock-up periods ranging from one to three years from the grant date. No consideration was payable on the grant of the shares. 128,215,387 ordinary shares were issued on 16 May 2014 and 10,052,535 ordinary shares were purchased by the trustee of the Existing Share Scheme from the stock market in May 2014.

Pursuant to the approval of the Company's officers/delegates (as duly authorised by the board of directors of the Company) on 3 July 2014, the Company offered 10,900,786 ordinary shares to certain beneficiaries pursuant to the Existing Share Scheme, of which 187,891 ordinary shares were granted without lock-up periods, while the remaining shares were granted with lock-up periods within one year from the grant date. No consideration was payable on the grant of the shares. 10,170,697 ordinary shares were issued on 4 July 2014 and 730,089 ordinary shares were purchased by the trustee of the Existing Share Scheme from the stock market in July 2014.

The Group recognised total expense of US$6,470,000 (for the six months ended 30 June 2014: US$21,052,000) for the current period in relation to the shares granted under the Share Schemes.

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

Financial assets/ financial liabilities	Fair value as at 30.6.2015 US$'000	Fair value as at 31.12.2014 US$'000	Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable input(s)	Sensitivity/ relationship of unobservable inputs to fair value
Held-for-trading non-derivative financial assets classified as short-term investments in the condensed consolidated financial statements	**Listed equity securities in the United States – US$5,137**	Listed equity securities in the United States – US$6,895	Level 1	Quoted bid prices in an active market	N/A	N/A
Forward foreign exchange contracts classified as other receivables and other payables in the condensed consolidated statement of financial position	**Assets – US$795 and liabilities – US$78**	Assets – US$27 and liabilities – US$6,777	Level 2	Fair value derived from observable forward exchange rates at the end of the reporting period	N/A	N/A
Private fund classified as AFS investment in the condensed consolidated financial statements	**Investment in a private fund domiciled in the Cayman Islands – US$7,696**	Investment in a private fund domiciled in the Cayman Islands – US$7,751	Level 2	Fair value derived from observable market values of underlying assets quoted by relevant stock exchanges at the end of the reporting period	N/A	N/A

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

Financial assets/ financial liabilities	Fair value as at 30.6.2015	31.12.2014	Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable input(s)	Sensitivity/ relationship of unobservable inputs to fair value
	US$'000	*US$'000*				
Short-term investments designated as financial assets at FVTPL	**Investment in interest bearing instruments – US$536,808**	Investment in interest bearing instruments – US$292,545	Level 3	Income approach – discounted cash flow method was used to capture the present value of the expected return on a prudent basis, assumed to approximate the minimum return, based on the Group's experience with the deposits which have matured to date	Expected guaranteed interest rate, mainly taken into account different counterpart financial institution, which ranged from 3.70% to 5.00% (31.12.2014: 4.50% to 4.90%)	The higher the expected guaranteed interest rate, the higher the fair value, and vice versa

For the other financial assets and financial liabilities, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(Continued)*

Financial assets and financial liabilities subject to offsetting

The disclosures set out in the table below include financial assets and financial liabilities that are offset in the Group's condensed consolidated statement of financial position.

The Group currently has a legally enforceable right to set off certain bank balances and bank borrowings at the same bank that are due to be settled on the same date and the Group intends to settle these balances on a net basis.

	As at 30 June 2015		
Financial assets/liabilities subject to offsetting	**Gross amount of recognised financial assets/liabilities**	**Gross amounts of recognised financial liabilities/assets set off in the statement of financial position**	**Net amounts of financial assets/liabilities presented in the statement of financial position**
	US$'000	***US$'000***	***US$'000***
Bank balances	**1,755,616**	**(1,755,616)**	**–**
Bank borrowings	**1,755,616**	**(1,755,616)**	**–**

	As at 31 December 2014		
Financial assets/liabilities subject to offsetting	Gross amount of recognised financial assets/liabilities	Gross amounts of recognised financial liabilities/assets set off in the statement of financial position	Net amounts of financial assets/liabilities presented in the statement of financial position
	US$'000	*US$'000*	*US$'000*
Bank balances	799,173	(799,173)	–
Bank borrowings	799,173	(799,173)	–

23. RELATED PARTY DISCLOSURES

(a) During the current period, the Group entered into the following transactions with related parties, including Hon Hai, the ultimate holding company of the Company, and subsidiaries and associates of Hon Hai other than members of the Group:

	Six months ended	
	30.6.2015	30.6.2014
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Hon Hai:		
Sales of goods	**90**	3
Purchase of goods	**16,758**	92,309
Purchase of property, plant and equipment	**797**	7,229
Sales of property, plant and equipment	**1,027**	67
Lease expense — real properties	**373**	322
Subcontracting income	**24,977**	19,052
Consolidated services and subcontracting expense	**1,209**	205
General services income	**–**	126
General services expense	**180**	367
Subsidiaries of Hon Hai:		
Sales of goods	**182,499**	110,957
Purchase of goods	**220,263**	103,517
Purchase of property, plant and equipment	**34,730**	30,610
Sales of property, plant and equipment	**6,443**	8,442
Lease income	**1,055**	951
Lease expense — real properties	**1,342**	759
Lease expense — non-real properties	**1,858**	–
Subcontracting income	**31,938**	44,562
Consolidated services and sub-contracting expense	**94,625**	26,539
General services income	**788**	982
General services expense	**11,440**	8,614
Associates of Hon Hai:		
Sales of goods	**10,979**	1,269
Purchase of goods	**212,347**	142,311
Purchase of property, plant and equipment	**–**	287
Sales of property, plant and equipment	**92**	229
Lease income	**7**	15
Lease expense — real properties	**16**	13
Subcontracting income	**32**	140
Consolidated services and subcontracting expense	**7,593**	1,975
General services income	**27**	–
General services expense	**190**	33

23. RELATED PARTY DISCLOSURES *(Continued)*

(b) At the end of the reporting period, the Group had the following balances due from/to related parties included in:

	30.6.2015	31.12.2014
	US$'000	*US$'000*
	(unaudited)	(audited)
Trade receivables:		
Hon Hai	**5,655**	3,616
Subsidiaries of Hon Hai	**236,746**	329,707
Associates of Hon Hai	**7,811**	18,800
	250,212	352,123
Other receivables:		
Hon Hai	**162**	179
Subsidiaries of Hon Hai	**5,145**	4,319
Associates of Hon Hai	**19**	43
	5,326	4,541
	255,538	356,664
Trade payables:		
Hon Hai	**7,981**	22,661
Subsidiaries of Hon Hai	**244,737**	314,285
Associates of Hon Hai	**120,814**	133,663
	373,532	470,609
Other payables:		
Hon Hai	**5,173**	1,262
Subsidiaries of Hon Hai	**9,631**	20,772
Associates of Hon Hai	**294**	1,606
	15,098	23,640
	388,630	494,249

Balances due from/to related parties are unsecured and interest free.

23. RELATED PARTY DISCLOSURES *(Continued)*

(c) Compensation of key management personnel

The remuneration of directors and other members of key management for the period was as follows:

	Six months ended	
	30.6.2015	30.6.2014
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Short-term benefits	**1,728**	486
Share-based payments	**–**	1
	1,728	487

(d) During the period, the Group entered into the following transactions with an associate:

	Six months ended	
	30.6.2015	30.6.2014
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Sales of goods	**5,588**	–
Purchase of goods	**8,806**	–
Sales of property, plant and equipment	**1,813**	–
Other income	**1,575**	–

The amount due to an associate was US$2,069,000 (31.12.2014: US$951,000), which was included in other payables, as at 30 June 2015.

24. APPROVAL

The condensed consolidated financial statements on pages 4 to 33 were approved and authorised for issue by the board of directors of the Company on 12 August 2015.

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 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.

Review of Results and Operations *(Continued)*

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.

OTHER INFORMATION

DIRECTORS

Pursuant to the approval of the board of directors of the Company (the "Board") on 24 June 2015, the appointment of Mr. TONG Wen-hsin, the Chairman and an executive director of the Company, was renewed for a term of three years ending on 25 July 2018 subject to retirement and re-election under the articles of association of the Company. He is entitled to annual emoluments consisting of basic salary of HK$1,440,000 (equivalent to approximately US$185,760) and a discretionary bonus to be determined by the Board from time to time with reference to the Company's performance, his duties and responsibilities with the Company, his contribution to the Company and the prevailing market practice.

Pursuant to the approval of the Board on 24 June 2015, the appointment of Mr. CHIH Yu Yang, the chief executive officer and an executive director of the Company, was renewed for a term of three years ending on 27 August 2018 subject to retirement and re-election under the articles of association of the Company. He is entitled to annual emoluments consisting of basic salary of NT$3,600,000 (equivalent to approximately US$115,920) and a discretionary bonus to be determined by the Board from time to time with reference to the Company's performance, his duties and responsibilities with the Company, his contribution to the Company and the prevailing market practice.

Mr. LAU Siu Ki, an independent non-executive director of the Company, was appointed as company secretary of Hung Fook Tong Group Holdings Limited, whose shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), with effect from 13 May 2015.

DISCLOSURE OF INTERESTS

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2015, the interests and short positions, if any, of each director and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which 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 interests and short positions which the directors and chief executive were taken or deemed to have under such provisions of the SFO), or which were required to be and were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") adopted by the Company were as follows:

Name of director	Name of corporation	Capacity/ Nature of interest	Total number of ordinary shares	Approximate percentage of interest in the Company/ associated corporation
TONG Wen-hsin	Company	Personal Interest	2,032,505	0.0261%
	Hon Hai	Personal Interest	113,636	0.0008%
CHIH Yu Yang	Company	Personal Interest	8,724,053	0.1120%
	Hon Hai	Personal Interest	853,139	0.0056%
	Chiun Mai Communication Systems, Inc. *(Note 1)*	Personal Interest	1,000	0.0007%
LEE Jer Sheng *(Note 2)*	Company	Personal Interest	1,320,932	0.0170%
		Jointly-held Interest	100,000	0.0013%
LEE Kuo Yu	Hon Hai	Personal Interest	51,880	0.0003%

OTHER INFORMATION *(Continued)*

DISCLOSURE OF INTERESTS *(Continued)*

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures *(Continued)*

Notes:

1. The Company indirectly, through its wholly-owned subsidiaries, holds approximately 86.17% of the entire issued share capital of Chiun Mai Communication Systems, Inc., a company incorporated in Taiwan.

2. 1,320,932 shares include 80,292 shares which are issuable upon vesting of the share grants granted under the Former Share Scheme. 100,000 shares are beneficially and jointly owned by Dr. LEE Jer Sheng and Ms. TING Kuei Feng, the spouse of Dr. LEE Jer Sheng. Accordingly, Dr. LEE Jer Sheng is deemed to be interested in 100,000 shares which are jointly held by him and his spouse for the purposes of the SFO.

Save as disclosed above, none of the directors or chief executive of the Company had, as at 30 June 2015, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the directors and chief executive of the Company were taken or deemed to have under such provisions of the SFO), or which were required to be and were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

So far as is known to any director of the Company, as at 30 June 2015, shareholders (other than the directors or chief executive of the Company) who had interests and short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be and were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of substantial shareholder	Capacity/ Nature of interest	Total number of ordinary shares	Approximate percentage of interest in the Company
Foxconn (Far East) Limited	Beneficial owner	5,081,034,525	65.23%
Hon Hai *(Notes)*	Interest of a controlled corporation	5,081,034,525	65.23%

OTHER INFORMATION *(Continued)*

DISCLOSURE OF INTERESTS *(Continued)*

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares *(Continued)*

Notes:

1. Foxconn (Far East) Limited is a direct wholly-owned subsidiary of Hon Hai, and therefore, Hon Hai is deemed or taken to be interested in the 5,081,034,525 shares which are beneficially owned by Foxconn (Far East) Limited for the purposes of the SFO.

2. Dr. LEE Kuo Yu, a non-executive director of the Company, is an employee of the Hon Hai Group (comprising of Hon Hai, its subsidiaries and associates).

Save as disclosed above, as at 30 June 2015, the Company had not been notified by any persons (other than the directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be and were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME AND SHARE SCHEME

During the six months ended 30 June 2015, no option was granted under the Existing Option Scheme and no share was awarded under the Existing Share Scheme.

Apart from the Former Share Scheme, the Existing Option Scheme and the Existing Share Scheme, at no time during the six months ended 30 June 2015 was the Company, any of its subsidiaries, its holding company or any subsidiary of the Company's holding company a party to any arrangement to enable the directors of the Company to acquire benefits by means of acquisitions of shares in, or debenture of, the Company or any other body corporate.

DIVIDEND

The directors did not recommend the payment of an interim dividend for the six months ended 30 June 2015.

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.

OTHER INFORMATION *(Continued)*

RESERVES

Movements in reserves of the Group during the six months ended 30 June 2015 are set out on page 8.

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 as set out in Appendix 10 to the Listing Rules. 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.

On behalf of the Board
TONG Wen-hsin
Chairman

Hong Kong, 12 August 2015