TONLY ELECTRONICS HOLDINGS LIMITED
通力電子控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 01249)

RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2015

FINANCIAL HIGHLIGHTS
Unaudited results for the three months ended 31 March

	2015 *(HK$M)*	2014 *(HK$M)*	**Change**
Turnover	**1,156.0**	1,055.8	**+9.5%**
Gross profit	**151.9**	112.8	**+34.6%**
Operating profit	**49.6**	43.7	**+13.5%**
Profit for the period	**38.1**	35.6	**+6.9%**
Profit attributable to owners of the parent	**36.9**	28.8	**+27.9%**
Basic earnings per share *(HK cents)**	**14.85**	20.61	**–27.9%**

* After the completion of acquisition of the remaining 20% interest in the subsidiary, Tonly Electronics Limited on 15 May 2014 and the completion of Rights Issue on 21 November 2014, the total number of shares increased.

HIGHLIGHTS

For the three months ended 31 March 2015, the Group recorded turnover of approximately HK$1,156.0 million, up by 9.5% year-on-year. Gross profit amounted to approximately HK$151.9 million, up by 34.6% year-on-year. Operating profit reached approximately HK$49.6 million, up by 13.5% year-on-year. Profit attributable to owners of the parent reached approximately HK$36.9 million, representing an increase of 27.9% year-on-year. The directors of the Company do not recommend the payment of any interim dividend for the three months ended 31 March 2015.

The overall sales revenue of video products reached approximately HK$397.3 million, representing a decrease of 11.6% year-on-year. The sales revenue of audio products reached approximately HK$427.8 million, representing an increase of 30.3% year-on-year. The sales revenue of media boxes reached approximately HK$245.9 million, representing an increase of 22.2% year-on-year. The sales revenue of other products (mainly ABS-s products) reached approximately HK$85.0 million, representing an increase of 10.8% year-on-year.

The board of directors (the "Board") of Tonly Electronics Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results and financial position of the Company and its subsidiaries (collectively, the "Group") for the three months ended 31 March 2015 with comparative figures for the said period last year as follows and these condensed consolidated financial statement have not been audited, but have been reviewed by the Company's Audit Committee:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Three months ended 31 March	
		2015	2014
		(unaudited)	(unaudited)
	Notes	***HK$'000***	*HK$'000*
TURNOVER	3	**1,156,012**	1,055,786
Cost of sales		**(1,004,155)**	(942,981)
Gross profit		**151,857**	112,805
Other income and gains, net		**23,172**	22,077
Selling and distribution costs		**(49,521)**	(27,035)
Administrative expenses		**(35,824)**	(40,894)
Research and development costs		**(40,084)**	(23,123)
Other operating expenses, net		**–**	(62)
		49,600	43,768
Finance costs	4	**(2,282)**	(2,319)
Share of losses of an associate		**–**	(71)
PROFIT BEFORE TAX		**47,318**	41,378
Income tax expense	5	**(9,266)**	(5,787)
PROFIT FOR THE PERIOD		**38,052**	35,591
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(2,003)**	(3,695)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD		**(2,003)**	(3,695)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**36,049**	31,896

		Three months ended 31 March	
		2015	2014
		(unaudited)	(unaudited)
	Note	***HK$'000***	*HK$'000*
Profit attributable to:			
Owners of the parent		**36,851**	28,810
Non-controlling interests		**1,201**	6,781
		38,502	35,591
Total comprehensive income attributable to:			
Owners of the parent		**34,964**	26,033
Non-controlling interests		**1,085**	5,863
		36,049	31,896
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
			(Restated)
Basic and diluted		**HK14.85 cents**	HK20.61 cents

Details of the dividends are disclosed in note 7.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 March 2015 (unaudited) *HK$'000*	As at 31 December 2014 (audited) *HK$'000*
NON-CURRENT ASSETS		
Property, plant and equipment	**475,133**	465,608
Prepaid land lease payments	**38,625**	38,960
Deferred tax assets	**79,913**	80,247
Total non-current assets	**593,671**	584,815
CURRENT ASSETS		
Inventories	**340,512**	432,187
Trade receivables	**962,492**	978,182
Bills receivable	**27,729**	15,168
Prepayments, deposits and other receivables	**170,187**	187,443
Tax recoverable	**792**	2,381
Derivative financial instruments	**4,279**	840
Cash and cash equivalents	**765,806**	938,303
Total current assets	**2,271,797**	2,554,504
CURRENT LIABILITIES		
Trade payables	**852,033**	1,087,559
Bills payable	**19,767**	19,903
Other payables and accruals	**535,883**	631,768
Tax payable	**103,352**	97,558
Derivative financial instruments	**1,608**	8,011
Provisions	**211,316**	196,539
Total current liabilities	**1,723,959**	2,041,338
NET CURRENT ASSETS	**547,838**	513,166
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,141,509**	1,097,981

	Note	**As at 31 March 2015 (unaudited)** *HK$'000*	As at 31 December 2014 (audited) *HK$'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,141,509**	1,097,981
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**3,690**	2,655
Net assets		**1,137,819**	1,095,326
EQUITY			
Equity attributable to owners of the parent			
Issued capital	9	**248,968**	248,968
Reserves		**859,908**	818,499
		1,108,876	1,067,467
Non-controlling interests		**28,943**	27,859
Total equity		**1,137,819**	1,095,326

Notes:

1. BASIS OF PRESENTATION

The accounting policies and the basis of preparation adopted in the preparation of these condensed consolidated financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosures requirements of the Hong Kong Companies Ordinance, except for the adoption of the revised HKFRSs as disclosed in note 2 below.

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

Other than as further explained below, the adoption of these revised HKFRSs has had no significant financial effect on these condensed consolidated financial statements and there has been no significant changes to the accounts policies applied in these condensed consolidated financial statements.

The *Annual Improvements to HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Except for those described in note 2, the Group expects to adopt the amendments from 1 January 2015. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendment most applicable to the Group are as follows:

HKFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

3. SEGMENT INFORMATION

For management purposes, the Group has only one reportable operating segment which is the manufacture and sale of audio-visual products. Since this is the only reportable operating segment of the Group, no further operating segment analysis thereof is presented.

4. FINANCE COSTS

	Three months ended 31 March	
	2015	2014
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Interest on factored trade receivables	**2,282**	2,319

5. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (31 March 2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	Three months ended 31 March	
	2015	2014
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Current – Hong Kong	**1,587**	3,687
Current – Elsewhere	**6,643**	1,755
Deferred	**1,036**	345
Total tax charge for the period	**9,266**	5,787

6. DEPRECIATION AND AMORTISATION

During the period, depreciation of HK$13,162,000 (31 March 2014: HK$6,201,000) was charged to the condensed consolidated statement of profit or loss and other comprehensive income in respect of the Group's property, plant and equipment; and amortisation of HK$173,000 (31 March 2014: HK$173,000) was charged to the condensed consolidated statement of profit or loss and other comprehensive income in respect of the Group's prepaid land lease payments.

7. DIVIDENDS

The Board does not recommend the payment of any dividend for the three months ended 31 March 2015 (31 March 2014: Nil).

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

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

	Three months ended 31 March	
	As at 31 March 2015	As at 31 December 2014
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	**36,851**	28,810

	Number of shares Three months ended 31 March	
	2015	2014
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculation	**248,204,288**	139,769,558

No adjustment has been made to the basic earnings per share amount presented for the period ended 31 March 2015 in respect of a dilution as the impact of the share options outstanding during the year had an anti-dilutive effect on the basic earnings per share amount presented.

9. SHARE CAPITAL

Shares

	As at 31 March 2015	As at 31 December 2014
	HK$'000	*HK$'000*
Authorised:		
500,000,000 shares of HK$1.00 each	**500,000**	500,000
Issued and fully paid:		
248,968,066 ordinary shares of HK$1.00 each	**248,968**	248,968

During the period, the movements in share capital and share premium account of the Company were summarised as follows:

	Notes	**Number of shares in issue with par value of HK$1**	**Issued capital** *HK$'000*	**Share premium account** *HK$'000*	**Total** *HK$'000*
At 1 January 2014		133,316,234	133,316	–	133,316
Issue of consideration shares	(a)	32,662,477	32,663	160,046	192,709
Issue of right shares	(b)	82,989,355	82,989	340,256	423,245
Share issue expenses	(b)	–	–	(1,993)	(1,993)
At 31 December 2014, 1 January 2015 and 31 March 2015		248,968,066	248,968	498,309	747,277

Notes:

(a) On 15 May 2014, the Company issued 32,662,477 ordinary shares of the Company at a market price of HK$5.9 per share as the consideration for the acquisition of 20% equity interest in Tonly Electronics Limited not owned by the Group.

(b) On 21 November 2014, the Company completed a rights issue (the "Rights Issue") of one rights share for every two existing shares held by qualifying shareholders at an issue price of HK$5.10 per rights share and a total 82,989,355 rights shares were issued for a total cash consideration, before expenses, of approximately HK$423,245,000. The related share issue expenses charged to share premium account amounted to HK$1,993,000.

INDUSTRY OVERVIEW

The global economy has been recovering slowly in the first quarter of 2015. The quantitative easing policy of the United States ("US") was coming to an end along with declining unemployment rate and rebounding US dollars driving anticipation of interest-rate rise cycle from the market. However, on the flip side, the economic situation in Europe still continue bleak with added risk of further declines. It is expected that the European Central Bank would continue impose quantitative easing policy for at least another year and a half from March in order to stimulate the economy. Meanwhile, the growth in China is also slowing down gradually. Premier Li Keqiang assessed China's economic situation as the "new normal" with a GDP target formally set at about 7% this year. The People's Bank of China expected to cut the interest rate or bank's reserve requirement ratio with the aim of improving market liquidity. Given downward pressures faced by China and the global economy, the Group will maintain its prudent and pragmatic approach in dealing with the changes and challenges in the market.

According to market researches and internal analysis, the irresistible trend in wireless technology and smart home related technology and the consistent growth in corresponding audio products and media boxes would expedite the transformation and upgrade of the audio-visual equipment industry. The Group has actively implemented its strategy of "transformation and entrepreneurship" to embrace the new directions developing in the market, thus successfully enlarge its market shares and shift its growth drivers by its diversified product portfolio, including media boxes and innovative audio products.

BUSINESS REVIEW

The Group is a world leading vertically integrated manufacturer of audio-visual products, mainly developing, producing and selling premium audio-visual products on behalf of internationally renowned brands on the original-design-manufacturing ("ODM") basis. According to market research report by Techno System Research, the Group was the world's largest video product manufacturer and the fourth largest home theater system ("HTS") manufacturer by production volume in 2014.

In the first quarter of this year, the Group enhanced production efficiency and achieve optimal growth in both sales revenue and operating profit through assimilating experiences learned from projects and addressing the structural and systemic problems business management and optimizing the client portfolio.

For the three months ended 31 March 2015, the Group recorded a turnover of approximately HK$1,156.0 million, representing an increase of 9.5% year-on-year. Gross profit increased by 34.6% year-on-year to approximately HK$151.9 million, while gross profit margin increased from 10.7% from the same period last year to 13.1%. Operating profit rose by 13.5% year-on-year to approximately HK$49.6 million. Profit attributable to the shareholders of the Company in the first quarter grew by 27.9% year-on-year to approximately HK$36.9 million. Net profit margin was 3.3%.

Product Sales

The Group's products are classified into four categories: (i) Video disc players which include digital versatile disc ("DVD") players and blu-ray disc ("BD") players, (ii) Audio products which include HTS (without wireless technology), Micro & Mini speakers ("Micro & Mini"), Wireless speakers and HTS with soundbars (with wireless technology), (iii) Media boxes and (iv) Other businesses which are mainly Advanced Broadcasting System-Satellite ("ABS-s") products, components, research and development ("R&D") income.

During the period under review, revenue from the Group's video disc player business decreased by 11.6% year-on-year to approximately HK$397.3 million; revenue from the audio product business grew by 30.3% year-on-year to approximately HK$427.8 million; revenue from media box business rose by 22.2% year-on-year to approximately HK$245.9 million; and revenue from other businesses grew by 10.7% year-on-year to approximately HK$85.0 million. The revenues from the businesses of video disc players, audio products, media boxes and other businesses accounted for 34.4%, 37.0%, 21.3% and 7.3% respectively of the Group's turnover.

The Group's revenue breakdown by product:

	For the three months ended 31 March 2015 *(HK$'000)*	For the three months ended 31 March 2014 *(HK$'000)*	**Change**
Video disc players[1]	**397,341**	449,592	**–11.6%**
Audio Products			
– Traditional audio products[2]	**217,385**	171,419	**+26.8%**
– New audio products[3]	**210,451**	156,951	**+34.1%**
Subtotal	**427,836**	328,370	**+30.3%**
Media Boxes[4]	**245,872**	201,123	**+22.2%**
Other Businesses			
– ABS-s products	**25,813**	32,540	**–20.7%**
– Components	**44,177**	21,998	**+100.8%**
– Research & Development income	**14,973**	22,163	**–32.4%**
Subtotal	**84,963**	76,701	**+10.8%**
Total	**1,156,012**	1,055,786	**+9.5%**

(1) Mainly DVD players and BD players
(2) Mainly include HTS and Micro & Mini
(3) Mainly include wireless speakers, soundbars and audio docks
(4) Mainly include OTT (over-the-top) Internet services and contents set top box

Video Disc Player Business

With swift developments in Internet technology, the market demand for traditional DVD players continues to shrink. Although the Group has leverage on its years of accumulated technology R&D, production capability, good supply chain, and strong client relationships to take a leading position in the industry, the shrinking market for this product segment has led to overall decline in the Group's video disc player business. Revenue from the Group's video disc player decreased by 11.6% year-on-year to HK$397.3 million in the first quarter of 2015.

Audio Product Business

The popularization of smart home concept, and the maturing Internet and wireless technologies generate growing demand for new types of audio products that serve as peripherals of smartphones and television sets. To capitalize on the trend, the Group has always been actively stepping up research on wireless technology, power dissipation technique, new technologies and new materials. It has also been consolidating its strategic partnerships with existing customers. In the meantime, the Group actively researched into electroacoustics and independently developed its proprietary speaker transducers and speakers to further its vertical integration, thereby enhancing the overall competitiveness of its audio products. During the period under review, the sales of audio products continues to grow with revenue of HK$427.8 million from HK$328.4 million in the same period last year, an increase of 30.3% compared to the corresponding period last year.

Media Box Business

The Group successfully obtained its qualification as an official supplier to produce media box products for a renowned telecommunication equipment firm last year. Also, the Group achieved significant growth in the media box business through establishing cooperative relationships with domestic internet companies. During the period under review, through strengthening of software development capabilities and improving product design, the Group was able to enhance the competitiveness of its products and expand its client base. To grasp the opportunities arising from the advancements in the smart home concept and Internet technologies, the Group partnered with domestic and foreign telecommunication players to jointly develop the media box business for more diversified products. In the first quarter of 2015, revenue from the Group's media box business rose 22.2% year-on year to HK$245.9 million. It is expected that there is huge potential in the media box business which will become the Group's focus as well as a major growth driver in the future.

Other Businesses

Most of the Group's clients are leading international consumer electronics brands and have stringent requirements for product quality and specifications. The Group fully leverages its competitive advantages in product research and development, and proactively provides diversified research and development services for its clients. This does not only help generate more income, but also supports ongoing investment in research and development which help maintain the Group's competitiveness. Having satisfied its internal needs for plastic components in production, the Group also sold the surplus to external parties to generate additional income.

In the first quarter this year, sales of ABS-s products generated revenue of HK$25.8 million, a decrease of 20.7% year-on-year. It is expected that the Central Government's gradual opening of the ABS-s retail market will help drive sales in this business segment.

Production and Supply Chain Management

Coping with the labour shortage, the Group is gradually enhancing its staffing system, including decreasing the proportion of temporary staff in the work force and stabilizing the turnover of skilled workers, adopting more automated equipment and automated product testing process. These measures have significantly raised the per capita production efficiency and mitigated the impact of rising labour cost.

To fulfill the small orders for each of the various types of innovative products, the Group gradually adopts cellular manufacturing mode to reduce the non-operating hours of the plant and reorganizes the location and layout of the plants to increase efficiency. Meanwhile, the equipment maintenance and management system was improved according to the industrial best practices, so that the actual production capacity of Huizhou production base is raised to the designed level.

In addition, the Group took advantage of its global supply chain, strengthened the operational capability of its overseas supply chain with the aim of providing more competitive products for customers. In particular, HTS and DVD production lines were established in its factory in Indonesia which procured some of the raw materials locally and acquired new customers, thus boosting the shipments substantially during the year under review.

Research and Development (R&D) and Product Innovation

The rapid technological development has spurred the upgrade of audio and video products. The Group attaches great importance to product innovation and design, and persists in investing substantially in research and development. During the first quarter of 2015, the Group's R&D expenses were approximately HK$40.1 million, representing 3.5% of its total revenue, a high ratio according to industry standards. The Group owns R&D bases in Huizhou, Shenzhen and Xi'an. Its R&D team comprised more than 600 staff who mainly develop and introduce products to the market according to the clients' specific requirements, and carry out visionary research on fundamental technologies of the products. On top of optimizing the hardware for R&D, the Group has continuously introduced experienced electroacoustic professionals to the R&D team with the aim of enhancing core R&D capability in electroacoustics and strengthening its competitiveness during product transformation.

As at 31 March 2015, the Group owns 251 patents, and its applications for 346 patents were being processed. Moreover, the Group has received numerous awards for its technological innovation, industrial designs and utility model patents.

Future Plans and Outlook

Looking ahead, the global economic recovery will remain slow. The appreciation of US dollar leading to depreciation of other currencies, coupled with rising labour costs, will impose pressures on the Group's profitability. The Group will adhere to focus on product innovation as its expansion strategy. It will continue to strengthen its development capabilities in product design and core technologies to introduce more innovative products to meet market demands and consumer preferences. The Group will also optimize its product portfolio, consolidate partnerships with strategic clients and further expand its customer base to create new growth opportunities.

With growing popularization of the Internet and wireless technology, the demand for smart home products and tablet PCs will continue to rise. To seize the opportunities in this trend, the Group will focus on the development of new associated audio products. It will continue to invest heavily into R&D, strengthen its innovation capabilities in electroacoustics and related technologies, and enhance product quality and design. For the media box business, the Group will continue to strengthen its cooperation with both domestic and overseas internet and telecommunications companies to promote business development. To further enhance its competitiveness, the Group will closely follow trends in the industry's technological development and adopt automated operational facilities with the goal of greater production diversification. The Group will also grow both organically and through acquisitions of new businesses to expand its existing business scale and increase revenue. The Group has identified certain potential acquisition targets that it hopes to secure in the near future for expansion.

In terms of production and supply chain management, to meet the needs of its future development, the Group has located in suitable site in Huizhou and acquired the land use right for construction of a new production plant, which will serve as an active step to enhance production efficiency and expand production capacity. Moreover, to mitigate the pressures of rising costs in the PRC and enhance its capacity of orders delivery, the Group will fully leverage on its overseas supply chain and expand its global network. In addition, the Group will strengthen its integrated production capacities, shifting to the development of high-end products to improve profitability, in order to reinforce its leading position in the global market for audio-visual products, and thus maximize value for customers and shareholders.

FINANCIAL REVIEW

Significant Investments, Acquisitions and Disposals

There were no significant investment held as at 31 March 2015, nor other material acquisitions and disposals of subsidiaries during the period.

Acquisition of the land use right in Huizhou

On 24 March 2015, TCL Technoly Electronics (Huizhou) Co., Ltd. (as the grantee), a wholly owned subsidiary of the Company, entered into a land use right grant agreement with Huizhou Land Resources Administration (as the grantor) for grant of the land use right to a piece of land in Huizhou (the "Land") at the consideration of RMB31,760,000, which has been fully settled on 29 March 2015. This transaction did not constitute notifiable transaction as none of the applicable percentage ratios reached 5%. The Land will be used for construction of a production plant and an ancillary office building. The construction project would commence by September 2015 and is expected to finish by March 2017. The Company considers the acquisition of the land use right an important step to the Company's strategic development and expects that the new production plant would substantially enhance our Group's production efficiency and capacity.

Liquidity and Financial Resources

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

The cash and bank balance of the Group as at 31 March 2015 amounted to approximately HK$765,806,000 of which 13.5% was maintained in Hong Kong dollars, 38.6% in US dollars and 47.9% in Renminbi.

There was no material change in available credit facilities when compared with the year ended 31 December 2013 and there was no asset held under finance lease as at 31 March 2015.

As at 31 March 2015, the Group's gearing ratio was 0% since the Group had cash and bank balances of approximately HK$765,806,000 and without interest-bearing bank borrowings.

Pledge of Assets

There was no pledge of assets by the Group as at 31 March 2015.

Capital Commitments and Contingent Liabilities

As at 31 March 2015, the Group had capital commitments of approximately HK$27,495,000 (31 December 2014: HK$34,027,000) and Nil (31 December 2013: Nil) which were contracted but not provided for and authorised but not contracted for, respectively. The Group did not have any material contingent liabilities as at 31 March 2015.

Pending Litigation

The Group had not been involved in any material litigation for the period ended 31 March 2015.

Foreign Exchange Exposure

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

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

Employee and Remuneration Policy

The Group had approximately 4,100 dynamic and talented employees. They were all dedicated to advancing the quality and reliability of our operations. Remuneration policy was reviewed regularly, making reference to current legislation, market condition and both the performance of individual and the Company.

PURCHASES, SALES OR REDEMPTION OF SHARES

Pursuant to the rules of the Award Scheme adopted by the Company on 28 August 2014, the Company purchased from the market a total of 708,000 shares being the awarded shares during the period. The total amount paid to acquire such shares was approximately HK$4,154,000.

CORPORATE GOVERNANCE

None of the directors of the Company is aware of any information which would reasonably indicate that the Company had not, throughout the three months ended 31 March 2015, fully complied with the code provisions (the "Code Provisions") set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, except for the deviation from the Code Provisions A.6.7 and F.1.1. The reasons for the deviation from the Code Provisions F.1.1 remain the same as those set out in the Company's 2014 annual report.

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

Due to other pre-arranged business commitments which must be attended to by them, Mr. LEONG Yue Wing being non-executive director of the Company, and Mr. LI Qi and Mr. YOUNG Shiao Ming, both of whom being independent non-executive director, were not present at the annual general meeting and extraordinary general meeting of the Company held on 17 April 2015.

However, Mr. YUAN Bing, a non-executive director and the chairman of the Board, and Mr. REN Xuenong, an executive director and the chief financial officer of the Company, were present at both the annual general meeting and the extraordinary general meeting to ensure an effective communication with the shareholders at that meeting.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's unaudited condensed consolidated financial statements for the three months ended 31 March 2015, including the accounting principles adopted by the Group, with the Company's management. The Audit Committee comprises three members, namely Mr. Poon Chiu Kwok (Chairman), Mr. Li Qi and Mr. Young Shiao Ming, all being independent non-executive directors of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

The Group has adopted a model code of conduct regarding securities transactions by directors of the Company on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by directors of Listed Issuers (“Model Code”) set out in Appendix 10 to the Listing Rules. Specific enquires have been made with all directors who have confirmed that they have complied with the required standard set out in the Model Code and the Company’s code of conduct regarding directors’ securities transactions during the three months ended 31 March 2015.

On behalf of the Board
YUAN Bing
Chairman

Hong Kong, 22 April 2015

As at the date of this announcement, the Board comprises YU Guanghui, SONG Yonghong and REN Xuenong as executive directors, YUAN Bing (Chairman) and LEONG Yue Wing as non-executive directors and POON Chiu Kwok, LI Qi and YOUNG Shiao Ming as independent non-executive directors.