



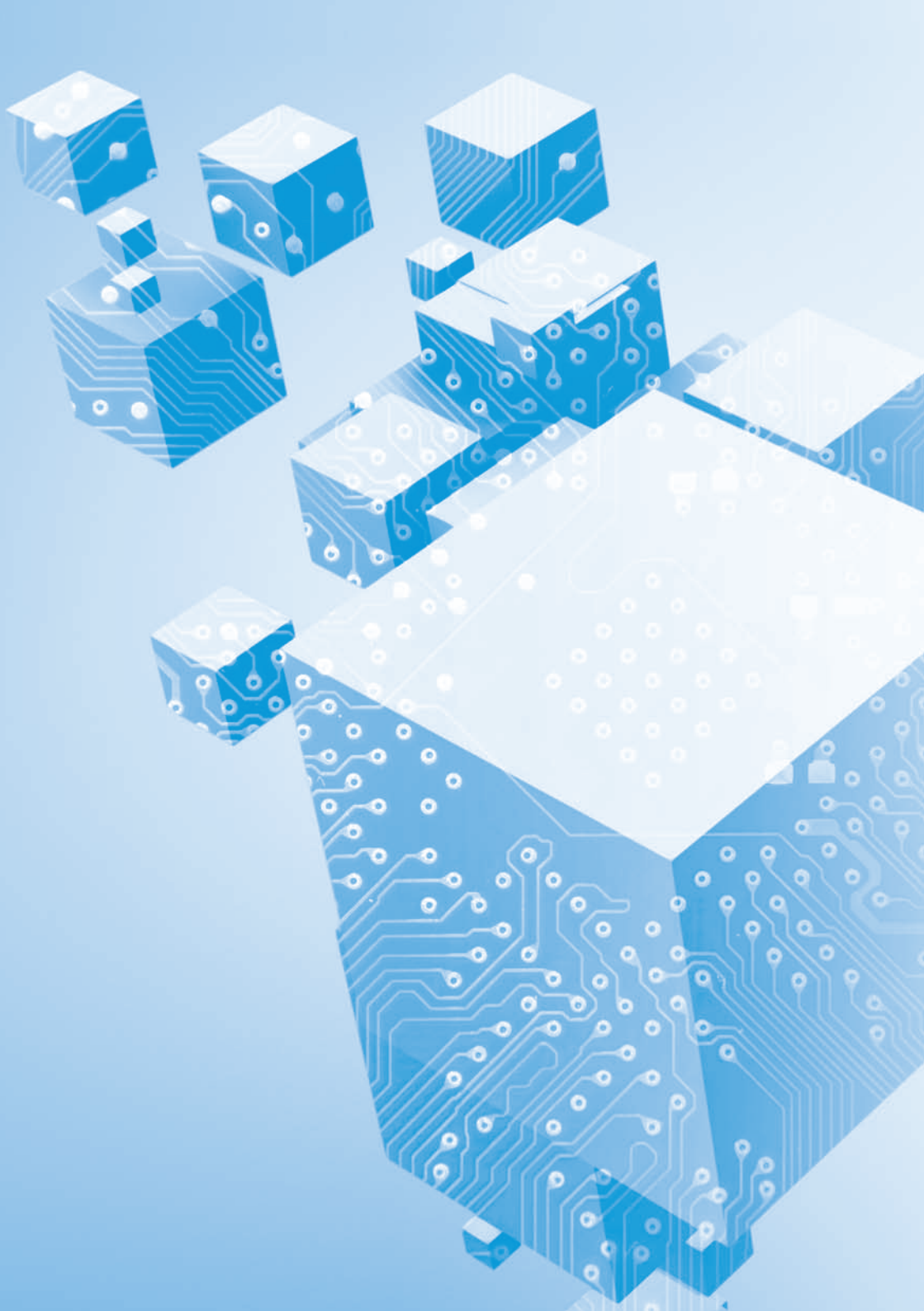
## TONLY ELECTRONICS HOLDINGS LIMITED

通力電子控股有限公司

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

Interim Report 2015





# CONTENTS

- 2** Corporate Information
- 3** Interim Results
- 18** Management Discussion & Analysis
- 28** Other Information

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Mr. YU Guanghui (Chief Executive Officer)  
Mr. SONG Yonghong (Chief Operating Officer)  
Mr. REN Xuenong (Chief Financial Officer)

#### Non-Executive Directors

Mr. YUAN Bing (Chairman)  
Mr. LEONG Yuewing

#### Independent Non-Executive Directors

Mr. POON Chiu Kwok  
Mr. LI Qi  
Mr. YOUNG Shiao Ming

### COMPANY SECRETARY

Ms. PANG Siu Yin, Solicitor, Hong Kong

### AUDITOR

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

### LEGAL ADVISOR

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

### PRINCIPAL REGISTRAR

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

### BRANCH REGISTRAR

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

### PRINCIPAL OFFICE

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

### REGISTERED OFFICE

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

### INVESTOR AND MEDIA RELATIONS

Cornerstones Communications Ltd.  
19/F., Oriental Crystal Commercial Building,  
46 Lyndhurst Terrace, Central,  
Hong Kong

## INTERIM RESULTS

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 six months ended 30 June 2015 with comparative figures for the said period last year as follows and these condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company's Audit Committee:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	SIX MONTHS ENDED 30 JUNE		THREE MONTHS ENDED 30 JUNE	
		2015 (UNAUDITED) HK\$'000	2014 (unaudited) HK\$'000	2015 (UNAUDITED) HK\$'000	2014 (unaudited) HK\$'000
TURNOVER	4	<b>2,309,713</b>	2,379,596	<b>1,153,701</b>	1,323,810
Cost of sales		<b>(1,994,468)</b>	(2,090,784)	<b>(990,313)</b>	(1,147,803)
Gross profit		<b>315,245</b>	288,812	<b>163,388</b>	176,007
Other revenue and gains, net		<b>61,419</b>	51,511	<b>38,247</b>	29,434
Selling and distribution costs		<b>(90,107)</b>	(83,221)	<b>(40,586)</b>	(56,186)
Administrative expenses		<b>(86,778)</b>	(92,494)	<b>(50,954)</b>	(51,600)
Research and development costs		<b>(100,709)</b>	(67,197)	<b>(60,625)</b>	(44,074)
Other operating expenses, net		<b>(669)</b>	(343)	<b>(669)</b>	(281)
Finance costs	5	<b>98,401</b>	97,068	<b>48,801</b>	53,300
Share of profits of an associate		<b>(3,517)</b>	(2,710)	<b>(1,235)</b>	(391)
		<b>-</b>	1	<b>-</b>	72
PROFIT BEFORE TAX		<b>94,884</b>	94,359	<b>47,566</b>	52,981
Income tax expense	6	<b>(7,072)</b>	(11,767)	<b>2,194</b>	(5,980)
PROFIT FOR THE PERIOD		<b>87,812</b>	82,592	<b>49,760</b>	47,001

## INTERIM RESULTS

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

	SIX MONTHS ENDED		THREE MONTHS ENDED	
	30 JUNE		30 JUNE	
	2015	2014	2015	2014
	(UNAUDITED)	(unaudited)	(UNAUDITED)	(unaudited)
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
OTHER COMPREHENSIVE INCOME/(LOSS)				
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:				
Cash flow hedge:				
Effective portion of change in fair value of the hedging instrument arising during the period	13,568	(7,930)	13,568	(7,930)
Exchange fluctuation reserve: Translation of foreign operations	918	(4,132)	2,921	(437)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	14,486	(12,062)	16,489	(8,367)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	102,298	70,530	66,249	38,634
Profit attributable to:				
Owners of the parent	85,386	72,455	48,535	43,645
Non-controlling interests	2,426	10,137	1,225	3,356
	87,812	82,592	49,760	47,001
Total comprehensive income attributable to:				
Owners of the parent	99,858	61,468	64,894	35,435
Non-controlling interests	2,440	9,062	1,355	3,199
	102,298	70,530	66,249	38,634
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT				
	9			(Restated)
Basic	HK34.48 CENTS	HK48.74 cents		
Diluted	HK34.44 CENTS	HK48.74 cents		

## INTERIM RESULTS

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	<b>30 JUNE 2015 (UNAUDITED) HK\$'000</b>	31 December 2014 (audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>474,945</b>	465,608
Prepaid land lease payments		<b>79,018</b>	38,960
Deferred tax assets		<b>84,420</b>	80,247
<b>Total non-current assets</b>		<b>638,383</b>	584,815
<b>CURRENT ASSETS</b>			
Inventories		<b>384,449</b>	432,187
Trade receivables	10	<b>958,851</b>	978,182
Bills receivable		<b>27,984</b>	15,168
Prepayments, deposits and other receivables		<b>190,738</b>	187,443
Tax recoverable		<b>648</b>	2,381
Derivative financial instruments		<b>13,309</b>	840
Cash and cash equivalents		<b>877,136</b>	938,303
<b>Total current assets</b>		<b>2,453,115</b>	2,554,504
<b>CURRENT LIABILITIES</b>			
Trade payables	11	<b>1,031,225</b>	1,087,559
Bills payable		<b>17,139</b>	19,903
Other payables and accruals		<b>586,533</b>	631,768
Tax payable		<b>97,900</b>	97,558
Derivative financial instruments		<b>43</b>	8,011
Provisions		<b>223,592</b>	196,539
<b>Total current liabilities</b>		<b>1,956,432</b>	2,041,338
<b>NET CURRENT ASSETS</b>		<b>496,683</b>	513,166
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,135,066</b>	1,097,981

## INTERIM RESULTS

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		<b>30 JUNE 2015</b>	31 December 2014
	<i>Notes</i>	<b>(UNAUDITED) HK\$'000</b>	(audited) HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>1,135,066</b>	1,097,981
NON-CURRENT LIABILITIES			
Deferred tax liabilities		<b>4,925</b>	2,655
Net assets		<b>1,130,141</b>	1,095,326
EQUITY			
<b>6 Equity Attributable to Owners of the Parent</b>			
Issued capital	12	<b>249,163</b>	248,968
Reserves		<b>850,679</b>	818,499
<b>Non-controlling Interests</b>		<b>1,099,842</b>	1,067,467
		<b>30,299</b>	27,859
Total equity		<b>1,130,141</b>	1,095,326



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	ATTRIBUTABLE TO OWNERS OF THE PARENT													
	ISSUED CAPITAL (UNAUDITED)	SHARE PREMIUM (UNAUDITED)	SHARE		CAPITAL RESERVE (UNAUDITED)	MERGER RESERVE (UNAUDITED)	HEDGING RESERVE (UNAUDITED)	EXCHANGE FLUCTUATION RESERVE (UNAUDITED)	SHARE AWARDED SCHEME (UNAUDITED)	SHARE RESERVE (UNAUDITED)	RETAINED PROFITS (UNAUDITED)	NON-		TOTAL EQUITY (UNAUDITED)
			OPTION RESERVE (UNAUDITED)	FUNDS RESERVE (UNAUDITED)								TOTAL	INTERESTS	
			(UNAUDITED)	(UNAUDITED)								(UNAUDITED)	(UNAUDITED)	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2014	133,316	-	-	58,513	11,251	(6,059)	-	54,975	-	-	172,705	424,701	124,526	549,227
Profit for the period	-	-	-	-	-	-	-	-	-	-	72,455	72,455	10,137	82,592
Other comprehensive income for the period:														
Cash flow hedge	-	-	-	-	-	-	(7,930)	-	-	-	(7,930)	-	-	(7,930)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(3,057)	-	-	-	(3,057)	(1,075)	(4,132)
Total comprehensive income for the period	-	-	-	-	-	-	(7,930)	(3,057)	-	-	72,455	61,468	9,062	70,530
2013 final dividend paid	-	-	-	-	-	-	-	-	-	-	(31,730)	(31,730)	-	(31,730)
Acquisition of non-controlling interests	32,663	160,046	-	-	(85,453)	-	-	-	-	-	-	107,256	(107,256)	-
At 30 June 2014	165,979	160,046	-	58,513	(74,202)	(6,059)	(7,930)	51,918	-	-	213,450	561,695	26,332	588,027
At 1 January 2015	248,968	498,309	5,739	62,450	(74,202)	(6,059)	(4,838)	53,962	(3,794)	-	286,933	1,067,467	27,859	1,095,326
Profit for the period	-	-	-	-	-	-	-	-	-	-	85,386	85,386	2,426	87,812
Other comprehensive income for the period:														
Cash flow hedge	-	-	-	-	-	-	13,568	-	-	-	-	13,568	-	13,568
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	904	-	-	-	904	14	918
Total comprehensive income for the period	-	-	-	-	-	-	13,568	904	-	-	85,386	99,858	2,440	102,298
Equity-settled share option arrangements	-	-	8,577	-	-	-	-	-	-	-	-	8,577	-	8,577
Issue of shares upon exercise of share options	195	1,224	(248)	-	-	-	-	-	-	-	-	1,171	-	1,171
Share options forfeited during the period	-	-	(389)	-	-	-	-	-	-	-	96	(293)	-	(293)
Purchase of shares for the Award Scheme	-	-	-	-	-	-	-	(15,309)	-	-	(15,309)	-	-	(15,309)
Vesting of shares under Award Scheme	-	-	-	-	-	-	-	-	443	26	-	469	-	469
Employee share-based compensation benefits under the Award Scheme	-	-	-	-	-	-	-	-	-	144	-	144	-	144
2014 final dividend paid	-	(62,242)	-	-	-	-	-	-	-	-	(62,242)	-	-	(62,242)
Transfer from retained profit	-	-	-	5,583	-	-	-	-	-	-	(5,583)	-	-	-
At 30 June 2015	249,163	437,291*	13,679*	68,033*	(74,202)*	(6,059)*	8,729*	54,866*	(18,660)*	170*	366,832*	1,099,842	30,299	1,130,141

\* These reserve accounts comprise the combined reserves of HK\$850,679,000 (31 December 2014: HK\$818,499,000) in the consolidated statements of financial position as at 30 June 2015.

## INTERIM RESULTS

### CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<b>SIX MONTHS ENDED 30 JUNE</b>	
	<b>2015</b>	2014
	<b>(UNAUDITED)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash generated from operations	<b>72,774</b>	24,523
Interest paid	<b>(3,517)</b>	(2,710)
Income taxes paid	<b>(5,244)</b>	(8,442)
<b>Net cash flows from operating activities</b>	<b>64,013</b>	13,371
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	<b>31,859</b>	24,162
Purchases of items of property, plant and equipment	<b>(39,106)</b>	(68,089)
Decrease in bills payable	<b>-</b>	(173,748)
Acquisition of land use right	<b>(41,403)</b>	-
Proceeds from sales of other investment	<b>-</b>	135,991
Other investing cash flows, net	<b>373</b>	10,005
<b>Net cash flows used in investing activities</b>	<b>(48,277)</b>	(71,679)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Purchase of shares for the award scheme	<b>(15,309)</b>	-
Proceeds from issue of share upon exercise of share options	<b>1,171</b>	-
New bank loans	<b>-</b>	38,757
Dividends paid	<b>(62,242)</b>	(31,730)
<b>Net cash flows from/(used in) financing activities</b>	<b>(76,380)</b>	7,027
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(60,644)</b>	(51,281)
Cash and cash equivalents at beginning of period	<b>938,303</b>	410,460
Effect of foreign exchange rate changes, net	<b>(523)</b>	3,493
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>877,136</b>	362,672
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>877,136</b>	362,672

Notes:

## 1. BASIS OF PREPARATION

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

The unaudited interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2014.

The accounting policies and the basis of preparation adopted in the preparation of these condensed financial statements are consistent with those adopted in the Group's 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 HKAS and Interpretations) issued by the HKICPA and 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 financial statements have been prepared under the historical cost convention, except for derivative financial instruments, which have been measured at fair value. These condensed financial statements are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand except when otherwise indicated.

## INTERIM RESULTS

### 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKAS 19  
*Annual Improvements*  
*2010-2012 Cycle*  
*Annual Improvements*  
*2011-2013 Cycle*

*Defined Benefit Plans: Employee Contributions*  
 Amendments to a number of HKFRSs  
  
 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.

10

The *Annual Improvements to HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. These amendments do not have any 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. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSs

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

Amendments to HKAS 1 HKFRS 9	<i>Disclosure Initiative</i> <sup>1</sup> <i>Financial Instruments</i> <sup>5</sup>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>1</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i> <sup>1</sup>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i> <sup>1</sup>
HKFRS 14	<i>Regulatory Deferral Accounts</i> <sup>4</sup>
HKFRS 15	<i>Revenue from Contracts with Customers</i> <sup>2</sup>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> <sup>1</sup>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i> <sup>1</sup>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i> <sup>1</sup>
<i>Annual Improvements 2012-2014 Cycle</i>	Amendments to a number of HKFRSs <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>4</sup> Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

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

### 4. 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.

## INTERIM RESULTS

### 5. FINANCE COSTS

	<b>SIX MONTHS ENDED 30 JUNE</b>	
	<b>2015</b>	2014
	<b>(UNAUDITED)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
Interest on factored trade receivables	<b>3,517</b>	2,710

### 6. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (30 June 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.

	<b>SIX MONTHS ENDED 30 JUNE</b>	
	<b>2015</b>	2014
	<b>(UNAUDITED)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
Current - Hong Kong		
Charge for the year	<b>1,733</b>	10,017
Current - Elsewhere		
Charge for the year	<b>12,302</b>	1,088
Overprovision in prior years	<b>( 9,234)</b>	-
Deferred	<b>2,271</b>	662
Total tax charge for the period	<b>7,072</b>	11,767

### 7. DEPRECIATION AND AMORTISATION

During the period, depreciation of HK\$28,800,000 (30 June 2014: HK\$14,857,000) was charged to profit or loss in respect of the Group's property, plant and equipment; and amortisation of HK\$622,000 (30 June 2014: HK\$346,000) was charged to profit or loss in respect of the Group's prepaid land lease payments.

### 8. DIVIDENDS

The Board does not recommend the payment of any dividend for the six months ended 30 June 2015 (30 June 2014: Nil).

## INTERIM RESULTS

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

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

	<b>SIX MONTHS ENDED 30 JUNE</b>	
	<b>2015</b>	2014
	<b>(UNAUDITED)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
<hr/>		
<b>EARNINGS</b>		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	<b>85,386</b>	72,455

	<b>NUMBER OF SHARES SIX MONTHS ENDED 30 JUNE</b>	
	<b>2015</b>	2014
	<b>(UNAUDITED)</b>	(unaudited)
<hr/>		

#### SHARES

Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<b>247,615,332</b>	148,661,528*
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Effect of dilution – weighted average number of ordinary shares:

Assumed issue at no consideration on deemed exercise of all share options outstanding during the period	<b>346,087</b>	–
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Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation	<b>247,961,419</b>	148,661,528
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\* Restated by taking into account the retrospective adjustment to the number of shares outstanding before the rights issue (the "Rights Issue") completed on 21 November 2014 to reflect the bonus element inherent in the rights issue.

No adjustment has been made to the basic earnings per share amount presented for the period ended 30 June 2014 in respect of a dilution as the Company had no potentially dilutive ordinary shares in issue during the last period.

## INTERIM RESULTS

### 10. TRADE RECEIVABLES

The majority of the Group's sales in the PRC were made on the cash-on-delivery basis and on commercial bills guaranteed by banks with credit periods ranging from 60 to 180 days. For overseas sales, the Group usually requires settlement by letters of credit with tenures ranging from 15 to 150 days. Sales to certain long term strategic customers were also made on open-account basis with average credit terms of no more than 180 days.

The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	<b>30 JUNE 2015 (UNAUDITED) HK\$'000</b>	31 December 2014 (audited) HK\$'000
Current to 90 days	<b>768,417</b>	728,346
91 to 180 days	<b>36,317</b>	77,890
181 to 365 days	<b>37,990</b>	130,423
Over 365 days	<b>116,127</b>	41,523
	<b>958,851</b>	978,182

Certain subsidiaries of the Group have entered into receivable purchase agreements with banks for the factoring of trade receivables with certain designated customers. At 30 June 2015, trade receivables factored to banks aggregated to HK\$451,347,000 (31 December 2014: HK\$541,399,000), and all of which were derecognised from the consolidated statement of financial position because, in the opinion of the directors, the Group has transferred substantially all the risks and rewards of ownership in respect of the relevant factored receivables to banks.



## INTERIM RESULTS

### 11. TRADE PAYABLES

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

	<b>30 JUNE 2015 (UNAUDITED) HK\$'000</b>	31 December 2014 (audited) HK\$'000
Current to 90 days	<b>1,015,758</b>	1,036,144
91 to 180 days	<b>3,742</b>	35,023
181 to 365 days	<b>449</b>	2,334
Over 365 days	<b>11,276</b>	14,058
	<b>1,031,225</b>	1,087,559

The trade payables are non-interest-bearing and are normally settled with credit periods ranging from 15 to 120 days.

### 12. SHARE CAPITAL

#### SHARES

	<b>30 JUNE 2015 (UNAUDITED) HK\$'000</b>	31 December 2014 (audited) HK\$'000
Authorised:		
500,000,000 shares of HK\$1.00 each	<b>500,000</b>	500,000
Issued and fully paid:		
249,162,626 (31 December 2014: 248,968,066) ordinary shares of HK\$1.00 each	<b>249,163</b>	248,968

During the six months ended 30 June 2015, the subscription rights attaching to 194,560 share options were exercised at the subscription price of HK\$6.02 per share, resulting in the issue of 194,560 shares of HK\$1.00 each for a total cash consideration of HK\$1,171,000 before expenses.

## INTERIM RESULTS

### 13. RELATED PARTY TRANSACTIONS

The Group had the following material transactions with related parties during the period:

	<b>SIX MONTHS ENDED 30 JUNE</b>	
	<b>2015</b>	2014
	<b>(UNAUDITED)</b>	(unaudited)
	<b>HK\$'000</b>	<b>HK\$'000</b>
The companies controlled by TCL Corporation:		
Sales of raw materials	-	135,703
Sales of finished goods	<b>20,258</b>	28,540
Purchases of raw materials	-	139,724
Subcontracting fee expense	<b>21,366</b>	20,352
Administrative expense for importation and delivery of raw materials	<b>1,140</b>	-
Rental expense	<b>4,181</b>	5,104
Interest income	<b>160</b>	866
Other finance service fee	<b>160</b>	358
Call centre services fee	<b>31</b>	55
Technology support services	<b>3,616</b>	3,505

**14. EVENT AFTER THE REPORTING PERIOD**

On 30 July 2015, Tonly International Limited (“Tonly International”), a direct wholly-owned subsidiary of the Company, as the purchaser, entered into a sale and purchase agreement with the Winmax Holdings Group Limited (“Winmax”), as the vendor, and the Formosa Prosonic Industries Berhad (“FPI”), as the guarantor, (both being independent third parties of the Company), pursuant to which Tonly International has conditionally agreed to acquire, and Winmax has conditionally agreed to sell, the entire issued share capital of the FP Group Limited at a total consideration of RMB88,792,136, subject to adjustment, which would be settled in US dollars and the FPI has conditionally agreed to guarantee the full and punctual performance by the Winmax of its obligations under the Sale and Purchase Agreement. Details of the acquisition has been disclosed in the announcement of the Company dated 31 July 2015.

**15. COMPARATIVE AMOUNTS**

Certain comparative amounts have been reclassified to conform to the current period’s presentation.

**16. APPROVAL OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

The unaudited interim condensed consolidated financial statements was approved and authorised for issue by the board of directors on 11 August 2015.

## MANAGEMENT DISCUSSION AND ANALYSIS

### INDUSTRY OVERVIEW

In the first half of 2015, the economy in the United States (“US”) began to recover slowly. The quantitative easing policy of the US has been coming to an end. Along with a stronger US dollar and improving employment outlooks, the market is expecting the US to raise interest rate this year. However, the economic situation in Europe continues to deteriorate. Although the European Central Bank has introduced quantitative easing policy to stimulate economic growth, the Greek debt crisis put intense pressures on the Eurozone. On the other hand, China’s economic growth also significantly slowed down while the Central Chinese government adjusted its annual GDP target to 7% early this year. In the middle of the year, the Chinese government introduced a number of supportive measures to deal with the unprecedented turbulence in the domestic stock market, including interest rate cuts and a number of new moves to stimulate and provide funds to the capital market. However, the economic and financial markets are still in a state of instability. In the face of continued pressures to China and European economies, the Group will maintain its prudent and pragmatic approach in dealing with the ever-changing market condition and prepare for the challenges during this economic downturn.

18

As the use of wireless technology and smart home related technology become more prevalent, the audio products and media boxes market continues to develop. Given the growing popularity of smart technology, market demand for its corresponding peripheral products will continue to rise, driving the introduction of more innovative products with huge market growth potential. To grasp market opportunities, the Group continues to fully implement its strategy of “transformation and entrepreneurship” to actively develop its media boxes and new audio products businesses, thus is able to offer a diversified product portfolio in a bid to expand market shares and drive overall growth.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group is one of the world's leading vertically integrated manufacturers of audio-visual products, and is principally engaged in the research and development (R&D), manufacturing and sales of premium audio-visual products and wireless smart internet products on behalf of internationally renowned brands on an original-design-manufacturing ("ODM") basis. Based on acoustic and wireless internet technologies, the Company aims to establish the most competitive ODM industry platform. According to market research report by Techno System Research, based on annual production volume in 2014, the Group is the largest video product manufacturer and the fourth largest home theater system ("HTS") manufacturer.

Faced with the challenges of the economic environment, the Group's turnover recorded a slight decline in the first half of 2015, however, the Group was able to achieve growth in sales revenue and operating profit. This is mainly attributable to the Group's internal assimilation of project experiences and addressing structural and systemic operation issues, while expanding and optimising its client portfolio externally, to enhance production efficiency.

For the six months ended 30 June 2015, the Group recorded a turnover of approximately HK\$2,309.7 million, down by 2.9% year-on-year. Gross profit increased by 9.2% year-on-year to approximately HK\$315.2 million, while gross profit margin increased from 12.1% in the same period last year to 13.6%. Operating profit rose by 1.4% year-on-year to approximately HK\$98.4 million. Profit attributable to owners of the parent for the first half of 2015 grew by 17.8% year-on-year to approximately HK\$85.4 million. Net profit margin was 3.8%.

### Product Sales

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

During the period under review, revenue from the Group's audio product business grew by 36.0% year-on-year to approximately HK\$1,007.0 million; revenue from video disc player business decreased by 19.6% year-on-year to approximately HK\$766.8 million; revenue from media box business rose by 0.7% year-on-year to approximately HK\$392.0 million; revenue from other businesses decreased by 51.3% year-on-year to approximately HK\$143.9 million.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group's revenue breakdown by product:

	<b>FOR THE SIX MONTHS ENDED 30 JUNE 2015 (HK\$'000)</b>	For the six months ended 30 June 2014 (HK\$'000)	<b>CHANGE</b>
<b>Audio Products</b>			
– Traditional audio products <sup>(1)</sup>	<b>462,438</b>	391,509	<b>+18.1%</b>
– New audio products <sup>(2)</sup>	<b>544,610</b>	349,167	<b>+56.0%</b>
<b>Subtotal</b>	<b>1,007,048</b>	740,676	<b>+36.0%</b>
<b>Video disc players<sup>(3)</sup></b>	<b>766,772</b>	953,756	<b>-19.6%</b>
<b>Media Boxes<sup>(4)</sup></b>	<b>391,951</b>	389,381	<b>+0.7%</b>
<b>Other Businesses</b>			
– ABS-s products	<b>40,887</b>	188,213	<b>-78.3%</b>
– Components	<b>75,966</b>	59,840	<b>+26.9%</b>
– Research & Development income	<b>27,089</b>	47,730	<b>-43.2%</b>
<b>Subtotal</b>	<b>143,942</b>	295,783	<b>-51.3%</b>
<b>Total</b>	<b>2,309,713</b>	2,379,596	<b>-2.9%</b>

<sup>(1)</sup> Mainly include HTS and Micro & Mini

<sup>(2)</sup> Mainly include wireless speakers, soundbars and audio docks

<sup>(3)</sup> Mainly DVD players and BD players

<sup>(4)</sup> Mainly include OTT (over-the-top) Internet services and contents set top box (STB)

## MANAGEMENT DISCUSSION AND ANALYSIS

### Audio Product Business

In the first half of 2015, sales of audio products achieved encouraging growth, mainly attributed to the growing popularity of Internet and wireless technologies, as well as substantial market demand for new types of audio accessory products for smartphones and television sets. Riding on the prevalent market trends, the Group continues to actively strengthen the product development of wireless technology, power dissipation technique, new technologies and new materials, to develop new audio products. Meanwhile, the Group also continues to enhance the competitiveness of its audio products, and is committed to investing in R&D of electroacoustics technology to further the development of its proprietary speaker transducers and speaker products. During the period under review, sales of audio products continued to grow with revenue of HK\$1,007.0 million from HK\$740.7 million in the same period last year, representing an increase of 36.0% year-on-year.

### Video Disc Player Business

The Group has leveraged on its years of accumulated R&D technology, production capability, excellent supply chain and strong client relationships to maintain a leading position in the industry. However, impacted by rapid developments in Internet technology, along with the growing popularity of tablet PCs and smartphones applications, the market for traditional DVD players is continuously diminishing. At the same time, due to the changes in certain customer's purchasing strategy, sales of the related branded video disc player business recorded significant decline as a result. Revenue from the Group's video disc player decreased by 19.6% year-on-year to HK\$766.8 million in the first half of 2015.

### Media Box Business

By strengthening software development capabilities and improving product design, the Group was able to enhance the competitiveness of its products and significantly expand its client base. The Group also proactively established cooperation relationships with foreign and domestic internet and telecommunications companies and developed into mobile communications business, contributing to modest growth in the media box business. In the first half of 2015, revenue from the Group's media box business rose by 0.7% year-on-year to HK\$392.0 million. The Group is optimistic about its overseas set top box ("STB") business. In the first half of 2015, the Group rebuilt its overseas STB team, while consolidating and strengthening relationships with existing customers to further expand the media boxes business and develop more diversified products.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Other Businesses

To comply with the stringent requirements for product quality and specifications of its customers who are international leading consumer electronics brands, the Group has been providing them with diversified R&D services. The Group fully leverages on its competitive advantages in product R&D to meet customer needs, while generating additional sources of revenue and upholding its R&D capabilities and competitiveness. Additionally, having satisfied the internal demand for plastic components in production, the Group also sells the surplus to external parties to generate further income.

In the first half of this year, sales of ABS-s products generated revenue of HK\$40.9 million, a decrease of 78.3% year-on-year, mainly due to delayed shipments of goods delivered under governmental projects. However, sales of ABS-s products are expected to benefit from the Central Government's gradual opening of the ABS-s retail market.

## 22 Production and Supply Chain Management

With the labour shortage in China, wages continued to rise. In face of labour problems, the Group is committed to enhancing its human resources system. In the reporting period, the Group significantly increased the proportion of automated equipment and gave impetus to the use automated product testing processes. It helped strengthen the stability of its skilled workers and boost its per capita production efficiency.

In addition, taking into account the features of innovative products, being small in ordered quantity but highly diversified in models, the Group is gradually adopting a cellular manufacturing mode to reduce the non-operating hours of the plant. It also reorganised the location and layout of the plant to boost overall efficiency. Meanwhile, in accordance with the industry's best practices, the Group has improved its equipment maintenance and management system. The actual production capacity of the Huizhou production base lifted to the designated level as a result.

In June 2015, through business reorganisation and capital reduction, the Group proposed to consolidate the moulding and plastic parts manufacturing business of Guangdong Regency Optics-Electron Corp ("Regency Optics") into the Group. The Group also proposed to combine the entire production process with its upstream operations to reduce production costs and achieve synergy. This will allow the Group to have full control of Regency Optics and realise vertical integration and development of the Group's plastic moulding business.



## MANAGEMENT DISCUSSION AND ANALYSIS

On top of this, the Group took advantage of its global supply chain and strengthened the operational capability of its overseas supply chain with the aim of providing more competitive products for customers. The Group has established HTS and DVD production lines in its factory in Indonesia which procured some of the raw materials locally and successfully acquired new customers, thus boosting the shipments substantially during the year.

### Research and Development (R&D) and Product Innovation

With the growing popularity of smart technology and electronic product innovations, enterprises must possess professional product innovation capability with a global insight to drive continuous innovation and self-improvements. As such, the Group has always attached great importance to product innovation and design, with substantial investment in R&D above that of the average industry level. During the first half of 2015, the Group's R&D expenses were approximately HK\$100.7 million, representing 4.4% of its total revenue. The Group owns R&D bases in Huizhou, Shenzhen and Xi'an. Its R&D team is comprised of over 600 staff members who mainly develop and introduce products to the market catering clients' specific requirements, and carry out visionary researches on fundamental technologies of the products. The Group has also amassed a design team with experienced foreign electroacoustic professionals which greatly strengthened its core product R&D capabilities and competitiveness on top of hardware development.

### Establishment of a Venture Capital Fund to Promote Smart Business Development

In April 2015, the Group partnered with Shenzhen Qianhai Haofang Keji Limited to form a venture capital fund (the "Fund"), targeting smart product manufacturers with high brand equity and growth potential, as well as companies engaging in e-commerce ecosystem or related businesses, to provide equity investment, investment advisory and investment management services. The initial investment of the Fund is approximately RMB60 to RMB100 million.

The establishment of the Fund enables the Group to expand its investment portfolio in order to broaden its revenue base, and also establish strategic alliances in order to enhance the ability to create a new ecosystem. Using the ODM and original-equipment-manufacturing ("OEM") businesses as its foundation, the Group will actively develop into "Smart + Internet" business. It will cooperate with partners through the establishment of the Fund by using capital as the linkage to invest in innovative Internet or intelligent hardware-related businesses. This will enable the Group to enter new business areas and accelerate its rapid transformation, in order to build a new business ecosystem and enhance the Group's competitiveness and profitability.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Future Plans and Outlook

Looking into the second half of 2015, China's economy is showing a downward trend, while domestic enterprises are still facing different challenges. Slowdown in market demands coupled with increasing labour costs will put significant pressures on companies' earnings and growth prospects. In European markets, despite temporary relief for the Greek debt crisis, Europe is still facing economic obstacles in long-term development. It is expected to bring uncertainties to the overall global economy.

The Group will continue to strengthen its development capabilities in product design and core technologies and adhere to focus on product innovation as its expansion strategy. It will introduce more innovative products to meet market demands and consumer preferences. The Group is committed to creating new growth opportunities by optimising its product portfolio, further expanding its customer base and strengthening partnerships with strategic clients.

24 Internet and wireless technology applications became a major trend, with associated new audio products prevail in the mainstream market. Demand for smart home appliances and tablet PCs will continue to grow. To increase product competitiveness, the Group will intensify its efforts to enhance product quality and optimise product design, further invest into R&D and strengthen its innovation capabilities in electroacoustics and related technologies. At the same time, it will deepen cooperation with both domestic and overseas internet and telecommunications companies to promote the development of its media box business. Moreover, to mitigate the pressures of rising costs in the PRC and integrate automated production capacities, the Group will fully leverage on its overseas supply chain to achieve highly efficient and diversified production targets.

To accommodate business development needs, the Group acquired a parcel of land next to its existing Huizhou plant, and has begun construction of a new plant. Going forward, this will allow the Group to expand production capabilities, complement supply chain management, and increase production efficiency. In addition, the Group will continue to look for opportunities, to expand into new business areas, diversify service offering and revenue stream, by self-development and acquisition of new business. To conclude, the Group aims to provide high quality products and services to its customers through enhancing productivity, developing new technologies, diversifying product offerings and expanding into new businesses, with an ultimate goal of maximising value for the Group and its shareholders.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

#### Significant Investments, Acquisitions and Disposals

There were no significant investment held as at 30 June 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 the Group's production efficiency and capacity.

25

#### Acquisition of the entire issued share capital of FP Group Limited

On 30 July 2015, Tonly International, a direct wholly-owned subsidiary of the Company (as the purchaser) entered into a sale and purchase agreement with the Winmax (as the vendor) and FPI (as the guarantor) (both being independent third parties of the Company), pursuant to which Tonly International has conditionally agreed to acquire, and Winmax has conditionally agreed to sell, the entire issued share capital of the FP Group Limited at a total consideration of RMB88,792,136, subject to adjustment, which would be settled in US dollars and the FPI has conditionally agreed to guarantee the full and punctual performance by the Winmax of its obligations under the Sale and Purchase Agreement. Details of the acquisition has been disclosed in the announcement of the Company dated 31 July 2015.

#### Fund raising activities

There had been no fund raising for the six months ended 30 June 2015 and up to the date of this interim report.

On 29 September 2014, the Company announced to raise not less than approximately HK\$423,245,000, before deduction of related expenses, by way of rights issue of not less than 82,989,355 rights shares at the subscription price of HK\$5.10 per rights share on the basis of one rights share for every two existing shares held on the record date of 29 October 2014 (the "Rights Issue"). The Rights Issue has been completed on 21 November 2014 and the Company raised approximately HK\$421,252,000 after the deducting of related expenses.

## MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2015, the net proceeds from the Rights Issue of approximately HK\$421,252,000 had been used as follows:

	<i>HK\$'000</i>
Purchase of land, machinery and equipment	80,509
Acquisition and investment	253
<b>Total</b>	<b>80,762</b>

The Company will use part of the remaining net proceeds to pay the consideration for the acquisition of FP Group Limited in the total sum of RMB88,792,136 (equivalent to USD14,302,166). As at 6 August 2015, being the latest practicable date for ascertaining certain information in this interim report, USD2,860,433 has been paid to Winmax.

### 26 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 cash equivalents of the Group as at 30 June 2015 amounted to approximately HK\$877,136,000 of which 11.9% was maintained in Hong Kong dollars, 46.2% in US dollars and 41.9% in Renminbi.

There was no material change in available credit facilities when compared with the year ended 31 December 2014 and there was no asset held under finance lease as at 30 June 2015.

As at 30 June 2015, the Group's gearing ratio was 0% since the Group held cash and cash equivalents of approximately HK\$877,136,000 and without interest-bearing bank borrowings.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Pledge of Assets

There was no pledge of assets by the Group as at 30 June 2015.

### Capital Commitments and Contingent Liabilities

As at 30 June 2015, the Group had capital commitments of approximately HK\$65,339,000 (31 December 2014: HK\$34,027,000) which were contracted but not provided for. The Group did not have any material contingent liabilities as at 30 June 2015.

### Pending Litigation

The Group had not been involved in any material litigation for the period ended 30 June 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 4,400 dynamic and talented employees. They were all dedicated to uphold product and service quality. Remuneration policy was reviewed regularly, making reference to current legislation, market condition and both the performance of individual and the Company.

## OTHER INFORMATION

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

As at 30 June 2015, the interests and short positions of the directors and chief executives in shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

#### (A) Interests in the Company – Long Positions

28

Name of Director	Number of ordinary shares held			Number of underlying shares held under equity derivatives	Total	Approximate percentage of issued share capital of the Company
	Personal interests	Family interests	Other interests			
YU Guanghui	–	26,458,607 (Note 1)	561,456	–	27,020,063	10.84%
SONG Yonghong	–	26,458,607 (Note 2)	430,450	–	26,889,057	10.79%
REN Xuenong	72,000	–	224,582	–	296,582	0.12%
YUAN Bing	–	–	557,000	–	557,000	0.22%
LEONG Yue Wing	74,200	–	334,200	–	408,400	0.16%
POON Chiu Kwok	–	–	334,200	–	334,200	0.13%
YOUNG Shiao Ming	–	–	334,200	–	334,200	0.13%
LI Qi	–	–	334,200	–	334,200	0.13%

Notes:

- As at 30 June 2015, Run Fu Holdings Limited ("Run Fu") was owned as to 44.44% by Huizhou Yinhuiyu Investment Partnership Enterprise (Limited Partnership) in which Mr. YU Guanghui and his wife respectively held 99% and 1% effective interest. Accordingly, Run Fu is a controlled corporation of Mr. YU Guanghui and hence Mr. YU was deemed to be interested in 10.62% interest in the Company held by Run Fu.
- As at 30 June 2015, Run Fu was owned as to 55.56% by Huizhou Guangsheng Investment Partnership Enterprise (Limited Partnership) in which Mr. SONG Yonghong held 46.50% effective interest. Accordingly, Run Fu is a controlled corporation of Mr. SONG Yonghong and hence Mr. SONG was deemed to be interested in 10.62% interest in the Company held by Run Fu.

## OTHER INFORMATION

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

## (B) Interests in associated corporation of the Company – Long Positions

## 1. TCL Corporation

Name of Director	Number of ordinary shares held			Number of underlying shares held under equity derivatives	Total	Approximate percentage of issued share capital of TCL Corporation
	Personal interests	Family interests	Other interests			
YU Guanghui	–	–	–	307,800	307,800	0.003%

## 2. TCL Multimedia Technology Holdings Limited

Name of Director	Number of ordinary shares held			Number of underlying shares held under equity derivatives	Total	Approximate percentage of issued share capital of TCL Multimedia
	Personal interests	Family interests	Other interests			
LEONG Yue Wing	494,672	–	–	–	494,672	0.04%

## 3. TCL Communication Technology Holdings Limited

Name of Director	Number of ordinary shares held			Number of underlying shares held under equity derivatives	Total	Approximate percentage of issued share capital of TCL Communication
	Personal interests	Family interests	Other interests			
YU Guanghui	740	–	–	–	740	0.0001%

Save as disclosed above, as at 30 June 2015, none of the directors and chief executive and their associates had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## OTHER INFORMATION

### SUBSTANTIAL SHAREHOLDER'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2015, the interests and short positions of the person (other than a director or chief executive of the Company) in the shares or underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

#### Long and short positions in shares of the Company

Shareholder	Capacity	Number of shares held or underlying shares		Percentage of issued share capital of the Company
		Long Position (L)	Short Position (S)	
30 TCL Corporation	Interest of controlled corporation/ Beneficial owner	125,234,170 (L)	(Note 1)	50.26% (L)
Run Fu	Beneficial owner	26,458,607 (L)		10.62% (L)
Deutsche Bank Aktiengesellschaft	Beneficial owner/ Security interest in shares	12,437,438 (L)		4.99% (L)
	Beneficial owner	2,000 (S)	(Note 2)	0.00% (S)
	Custodian corporation/ approved lending agent	47,800 (P)		0.02% (P)

Notes:

- For the purpose of SFO, TCL Corporation was deemed to be interested in the 125,234,170 Shares through its controlled corporation, TCL Industries (its direct wholly-owned subsidiary).
- The short position involves unlisted derivatives which are cash settled.

Save as disclosed above, as at 30 June 2015, no person, other than the directors and chief executive of the Company whose interests are set out in the section "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had notified the Company of an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.



## OTHER INFORMATION

### SHARE OPTION SCHEME

The Company adopted a share option scheme on 17 April 2014 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the share option scheme include the Company's directors, including independent non-executive directors, other employees of the Group, advisers, consultants, agents, contractors, suppliers of goods or services to the Group, customers of the Group, the Company's shareholders, any non-controlling shareholder in the Company's subsidiaries and any other person whom the Board at its sole discretion considers may contribute or have contributed to the Group. The share option scheme became effective on 17 April 2014 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The total number of shares of the Company that could be issued upon exercise of (i) all outstanding share options and (ii) all share options that could be granted under the then available scheme mandate limit as at 31 December 2014 and 30 June 2015 was 14,454,150 shares and 38,729,734 shares respectively, which represented about 5.8% and 15.5% of the issued share capital of the Company as at 31 December 2014 and 30 June 2015 respectively.

## OTHER INFORMATION

The following share options were outstanding under the share option scheme adopted by the Company on 17 April 2014 during the period from 1 January 2015 to 30 June 2015:

Name or category of participant	Number of share options				At 30 June 2015	Date of grant of share options	Exercise price of share options (HK\$)	Exercise period of share options	Share price immediately before the date of grant of share options (HK\$)
	At 1 January 2015	Granted during the period	Exercised during the period	Lapsed during the period					
<b>Directors</b>									
<b>Executive directors</b>									
YU Guanghui	561,456	-	-	-	561,456	30 September 2014	6.020 <sup>(Note 1)</sup>	Note 2	6.45
SONG Yonghong	430,450	-	-	-	430,450	30 September 2014	6.020 <sup>(Note 1)</sup>	Note 2	6.45
REN Xuenong	224,582	-	-	-	224,582	30 September 2014	6.020 <sup>(Note 1)</sup>	Note 2	6.45
<b>Non-executive directors</b>									
YUAN Bing	557,000	-	-	-	557,000	30 September 2014	6.020 <sup>(Note 1)</sup>	Note 2	6.45
LEONG Yue Wing	334,200	-	-	-	334,200	30 September 2014	6.020 <sup>(Note 1)</sup>	Note 2	6.45
<b>Independent non-executive directors</b>									
POON Chiu Kwok	334,200	-	-	-	334,200	30 September 2014	6.020 <sup>(Note 1)</sup>	Note 2	6.45
LI Qi	334,200	-	-	-	334,200	30 September 2014	6.020 <sup>(Note 1)</sup>	Note 2	6.45
YOUNG Shiao Ming	334,200	-	-	-	334,200	30 September 2014	6.020 <sup>(Note 1)</sup>	Note 2	6.45
Sub-total	3,110,288	-	-	-	3,110,288				
Other employees and those who have contributed or may contribute to the Group	11,343,862	-	(194,560)	(426,662)	10,722,640	30 September 2014	6.020 <sup>(Note 1)</sup>	Note 2	6.45
Sub-total	11,343,862	-	(194,560)	(426,662)	10,722,640				
Total	14,454,150	-	(194,560)	(426,662)	13,832,928				

### Notes:

- As a result of the completion of the rights issue on 21 November 2014, the exercise price of the share options was adjusted from HK\$6.706 to HK\$6.020.
- 50% of such share options are exercisable commencing from 1 May 2015 to 30 September 2017, and the remaining 50% are exercisable commencing from 1 May 2016 to 30 September 2017.

**RESTRICTED SHARE AWARD SCHEME**

The Company adopted a restricted share award scheme (the "Award Scheme") on 28 August 2014. The Company has appointed BOCI-Prudential Trustee Limited as the trustee (the "Trustee") for the administration of the Award Scheme. To the knowledge and belief of the Company, the Trustee is an independent third party to the Company. No one, including the Trustee, may exercise any voting rights in respect of the restricted shares ("the Restricted Shares") held by the Trustee.

The grantees of the Restricted Shares are not entitled to any distribution the Company made in respect of the Restricted Shares. The Company may determine any vesting conditions for the Restricted Shares as it considers appropriate in its absolute discretion. Detail of the Scheme are set out in the Company's announcement dated 28 August 2014. Information in relation to the Restricted Shares granted but not vesting under the Scheme are as follows:

	Number of Restricted Shares				Granted but not vested as at 30 June 2015	Grant Date	Vesting Date
	Granted but not vested as at 1 January 2015	Granted during the period	Vested during the period	Lapsed during the period			
Directors	-	-	-	-	-		
Employees	-	523,216	(73,161)	-	450,055	21 May 2015	15 June 2015 (as to 73,161 Restricted Shares) 15 May 2016 (as to 73,147 Restricted Shares) 15 May 2018 (as to 376,908 Restricted Shares)

As at 30 June 2015, 3,476,784 further Restricted Shares might be granted to the eligible participants of the Scheme, which represented about 1.4% of the issued share capital of the Company as at 30 June 2015.

## OTHER INFORMATION

### PURCHASES, SALES OR REDEMPTION OF SHARES

Pursuant to the rules of the Award Scheme, the Company had instructed the Trustee to purchase, and the trustee had purchased, from the market a total of 2,430,000 shares being the Restricted Shares during the period. The total amount paid to acquire such shares was approximately HK\$15,309,000.

### 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 six months ended 30 June 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 (the "Listing Rules"), 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.

34

***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, Mr. REN Xuenong, an executive director and the chief financial officer of the Company and Mr. POON Chiu Kwok, an independent non-executive director and the chairman of the Audit Committee were present at both the annual general meeting and the extraordinary general meeting to ensure an effective communication with the shareholders at that meeting.

### COMPLIANCE WITH DEED OF NON-COMPETITION

The Company has received a confirmation (the “Confirmation”) from TCL Corporation and T.C.L. Industries (H.K.) Limited (the “Covenantors”) signed by them on 18 August 2015 confirming that for the period from 1 January 2015 to 30 June 2015 and up to the date of signing the Confirmation by the relevant Covenantor, they have fully complied with the deed of non-competition executed by the Covenantors in favour of the Group on 15 July 2013 (the “Deed of Non-Competition”) and, in particular, they and their respective Associates have not, directly or indirectly, carried on or been engaged or interested in the research and development, manufacturing and sales relating to AV Products (excluding TV sets), which is from time to time carried on or engaged or interested in by the Group.

The independent non-executive directors of the Company have reviewed the Confirmation and all of them are satisfied that the Deed of Non-Competition has been complied with during the period under review.

### AUDIT COMMITTEE

The Audit Committee has reviewed the Group’s unaudited condensed consolidated financial statements for the six months ended 30 June 2015, including the accounting principles adopted by the Group, with the Company’s management. The Audit Committee consists of three independent non-executive Directors, namely, Mr. POON Chiu Kwok, Mr. LI Qi and Mr. YOUNG Shiao Ming, and is chaired by Mr. POON Chiu Kwok who possesses appropriate accounting and related financial management expertise. The primary duties of the audit committee are to assist the Board to fulfill the functions of reviewing and monitoring the financial reporting procedure and internal control of the Company and to perform other duties and responsibilities as assigned by the Board.

### CHANGE OF PARTICULARS OF THE DIRECTORS

As at 24 August 2015, being the latest practicable date for ascertaining certain information in this interim report, certain particulars of the directors had been changed in the following respects since the published date of annual report 2014 of the Company, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

#### Effective Date

11 August 2015

#### Changes

Mr. YUAN Bing was appointed as the Chairman and a non-executive director of TCL Display Technology Holdings Limited (stock code: 00334)

15 May 2015

Mr. POON Chiu Kwok was appointed as an independent non-executive director of Magnum Entertainment Group Holdings Limited (stock code: 02080)

## OTHER INFORMATION

### 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 six months ended 30 June 2015.

On behalf of the Board

**YUAN, Bing**

*Chairman*

Hong Kong, 11 August 2015

- 36 *As at the date of this report, 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.*