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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1249)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

FINANCIAL HIGHLIGHTS

Results for the year ended 31 December

	2015 ***(HK$M)***	2014 *(HK$M)*	**Change**
Turnover	**4,857.2**	5,421.0	**-10.4%**
Gross profit	**604.6**	666.4	**-9.3%**
Operating profit	**192.7**	192.6	**+0.02%**
Profit for the year	**167.6**	161.4	**+3.9%**
Profit attributable to owners of the parent	**166.5**	149.9	**+11.1%**
Basic earnings per share *(HK cents)*	**67.53**	88.25	**-23.5%**
Full year dividend per share *(HK cents)*			
– Proposed final dividend per share *(HK cents)*	**25.0**	25.0	**–**

Highlights

For the year ended 31 December 2015, the Group recorded turnover of approximately HK$4,857.2 million, down by 10.4% year-on-year. Gross profit amounted to approximately HK$604.6 million, down by 9.3% year-on-year. Operating profit reached approximately HK$192.7 million, representing an increase of 0.02% year-on-year. Profit attributable to owners of the parent reached approximately HK$166.5 million, representing an increase of 11.1% year-on-year. The board of Directors proposed a final dividend of HK25 cents per share base on the number of shares as at 31 December 2015.

The overall sales revenue of audio products reached approximately HK$2,294.6 million, representing an increase of 4.9% year-on-year. The sales revenue of video products reached approximately HK$1,302.5 million, representing a decrease of 37.0% year-on-year. The sales revenue of media boxes products reached approximately HK$833.1 million, representing an increase of 33.3% year-on-year. The sales revenue of ABS-s products reached approximately HK$196.9 million, representing a decrease of 33.9% year-on-year.

The board of directors (the "Board") of Tonly Electronics Holdings Limited (the "Company") is pleased to announce the consolidated results and financial position of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2015 with comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Twelve months ended 31 December		Three months ended 31 December	
		2015	2014	**2015**	2014
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
TURNOVER	4	**4,857,228**	5,421,007	**1,189,421**	1,408,774
Cost of sales		**(4,252,593)**	(4,754,614)	**(1,075,988)**	(1,243,050)
Gross profit		**604,635**	666,393	**113,433**	165,724
Other income and gains, net		**131,248**	83,548	**41,992**	15,000
Selling and distribution costs		**(156,976)**	(189,088)	**(20,747)**	(51,169)
Administrative expenses		**(190,303)**	(180,826)	**(53,768)**	(39,994)
Research and development costs		**(188,264)**	(174,710)	**(42,147)**	(42,061)
Other operating expenses, net		**(6,320)**	(12,687)	**4,881**	55
		194,020	192,630	**43,644**	47,555
Finance costs	5	**(6,553)**	(6,686)	**(1,325)**	(1,901)
Share of profits and losses of associates		**(1,353)**	1	**(1,980)**	–
PROFIT BEFORE TAX	6	**186,114**	185,945	**40,339**	45,654
Income tax expense	7	**(18,505)**	(24,560)	**(4,635)**	(7,970)
PROFIT FOR THE YEAR/PERIOD		**167,609**	161,385	**35,704**	37,684
OTHER COMPREHENSIVE INCOME/(LOSS)					
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent years/periods:					
Cash flow hedges:					
Effective portion of changes in fair value of the hedging instruments arising during the year/period		**(23,538)**	(4,839)	**(33,120)**	1,420
Reclassification adjustments for losses included in the consolidated statement of profit or loss		**4,839**	–	**4,839**	–
		(18,699)	(4,839)	**(28,281)**	1,420
Exchange fluctuation reserve:					
Translation of foreign operations		**(42,416)**	(1,915)	**(15,682)**	(2,411)
Release upon disposal of a subsidiary		**556**	–	**556**	–
		(41,860)	(1,915)	**(15,126)**	(2,411)

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

		Twelve months ended 31 December		Three months ended 31 December	
		2015	2014	**2015**	2014
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
OTHER COMPREHENSIVE LOSS FOR THE YEAR/PERIOD		**(60,559)**	(6,754)	**(43,407)**	(991)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		**107,050**	154,631	**(7,703)**	36,693
Profit attributable to:					
Owners of the parent		**166,479**	149,894	**38,153**	36,934
Non-controlling interests		**1,130**	11,491	**(2,449)**	750
		167,609	161,385	**35,704**	37,684
Total comprehensive income attributable to:					
Owners of the parent		**107,004**	144,042	**(5,342)**	35,813
Non-controlling interests		**46**	10,589	**(2,361)**	880
		107,050	154,631	**(7,703)**	36,693
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9				
Basic		**HK67.53 cents**	HK88.25 cents		
Diluted		**HK67.35 cents**	HK88.25 cents		

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**31 December 2015** **HK$'000**	31 December 2014 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**471,000**	465,608
Prepaid land lease payments		**73,661**	38,960
Goodwill		**4,279**	–
Other intangible asset		**482**	–
Investments in associates		**20,661**	–
Deferred tax assets		**80,374**	80,247
Total non-current assets		**650,457**	584,815
CURRENT ASSETS			
Inventories		**334,310**	432,187
Trade receivables	10	**1,079,186**	978,182
Bills receivable		**7,190**	15,168
Prepayments, deposits and other receivables		**232,804**	187,443
Tax recoverable		**2,577**	2,381
Derivative financial instruments		**6,380**	840
Cash and cash equivalents		**889,892**	938,303
Total current assets		**2,552,339**	2,554,504
CURRENT LIABILITIES			
Trade payables	11	**1,068,587**	1,087,559
Bills payable		**9,508**	19,903
Other payables and accruals		**683,644**	631,768
Tax payable		**91,537**	97,558
Derivative financial instruments		**31,453**	8,011
Provisions		**214,886**	196,539
Total current liabilities		**2,099,615**	2,041,338
NET CURRENT ASSETS		**452,724**	513,166
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,103,181**	1,097,981

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	**31 December 2015** *HK$'000*	31 December 2014 *HK$'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,103,181**	1,097,981
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**92**	2,655
Net assets		**1,103,089**	1,095,326
EQUITY			
Equity attributable to owners of the parent			
Share capital	12	**249,163**	248,968
Reserves		**853,926**	818,499
		1,103,089	1,067,467
Non-controlling interests		**–**	27,859
Total equity		**1,103,089**	1,095,326

Notes:

1. **BASIS OF PREPARATION**

These financial statements 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 ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments, which have been measured at fair value.

These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards for the first time for the current year's financial statements

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

The nature and the impact of each amendment is described below:

(a) Amendments to HKAS 19 apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction of service cost in the period in which the related service is rendered. The amendments have had no impact on the Group as the Group does not have defined benefit plans.

(b) The *Annual Improvements to HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year 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. The amendments have had no impact on the Group.

- HKAS 16 *Property, Plant and Equipment and HKAS 38 Intangible Assets*: Clarifies the treatment of gross carrying amount and accumulated depreciation or amortisation of revalued items of property, plant and equipment and intangible assets.

  The amendments have had no impact on the Group as the Group does not apply the revaluation model for the measurement of these assets.

- HKAS 24 *Related Party Disclosures*: Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group as the Group does not receive any management services from other entities.

(c) The *Annual Improvements to HKFRSs 2011-2013 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 3 *Business Combinations*: Clarifies that joint arrangements but not joint ventures are outside the scope of HKFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has had no impact on the Group as the Company is not a joint arrangement and the Group did not form any joint arrangement during the year.

- HKFRS 13 *Fair Value Measurement*: Clarifies that the portfolio exception in HKFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of HKFRS 9 or HKAS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which HKFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in HKFRS 13.

- HKAS 40 *Investment Property*: Clarifies that HKFRS 3, instead of the description of ancillary services in HKAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisitions of investment properties. The amendment has had no impact on the Group as the acquisition of investment properties during the year was not a business combination and so this amendment is not applicable.

In addition, the Company has adopted the amendments to the Rules Governing Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

3. ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKAS 1	*Disclosure Initiative*[1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[1]

1 Effective for annual periods beginning on or after 1 January 2016

2 Effective for annual periods beginning on or after 1 January 2018

3 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

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018 and is currently assessing the impact of the standard.

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1 January 2016.

The amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In September 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferral of the mandatory effective date of HKFRS 15 to 1 January 2018. The Group expects to adopt HKFRS 15 on 1 January 2018. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in HKAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The Group expects to adopt the amendments from 1 January 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

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.

5. FINANCE COSTS

	2015	2014
	HK$'000	*HK$'000*
Interest on:		
Bank loans	**–**	448
Factored trade receivables	**6,553**	6,238
Total	**6,553**	6,686

6. PROFIT BEFORE TAX

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

	2015	2014
	HK$'000	*HK$'000*
Cost of inventories sold*	**4,213,568**	4,718,314
Cost of services rendered*	**39,025**	41,265
Reversal of inventories to net realisable value*	**–**	(4,965)
Depreciation	**58,207**	40,975
Amortisation of other intangible asset	**33**	–
Research and development costs		
– current year expenditure	**188,264**	174,710
Realised (gains)/losses on settlement of derivative financial instruments, net	**(9,973)**	791
Unrealised fair value (gains)/losses on derivative financial instruments, net – transactions not qualifying as hedges	**(779)**	2,333
Amortisation of prepaid land lease payments	**1,358**	634
Minimum lease payments under operating leases	**33,937**	28,573
Auditors' remuneration	**1,830**	1,680
Employee benefit expense (including directors' remuneration):		
Wages and salaries	**410,252**	456,860
Equity-settled share option expense	**10,743**	5,739
Equity-settled Award Scheme expense	**1,232**	–
Defined contribution expense	**22,414**	18,118
	444,641	480,717
Product warranty provision:		
Additional provision	**60,419**	83,826
Reversal of unutilised provision	**(18,473)**	(40,164)
	41,946	43,662
Foreign exchange differences, net	**(44,820)**	(804)
Gain on disposal of a subsidiary	**(3,984)**	–
Loss on sale of scrap materials**	**6,181**	–
Loss on disposal of items of property, plant and equipment**	**939**	290
Loss on liquidation of a subsidiary**	**–**	8
Loss on deemed partial disposal of an associate**	**758**	–
Loss on disposal of an associate**	**–**	25
(Reversal)/impairment of trade receivables**	**(1,558)**	12,364

* These amounts are included in "Cost of sales" on the face of the consolidated statement of profit or loss and other comprehensive income.

** These amounts are included in "Other operating expenses, net" on the face of the consolidated statement of profit or loss and other comprehensive income.

7. INCOME TAX EXPENSE

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

	2015	2014
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**7,129**	6,728
Overprovision in prior years	**–**	(13)
Current – Elsewhere		
Charge for the year	**29,891**	26,982
Overprovision in prior years	**(10,435)**	–
Deferred	**(8,080)**	(9,137)
Total tax charge for the year	**18,505**	24,560

8. DIVIDENDS

	2015	2014
	HK$'000	*HK$'000*
Proposed final dividend – HK25.0 cents (2014: HK25.0 cents) per ordinary share	**62,291**	62,242

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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:

	2015	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	**166,479**	149,894

	Number of shares	
	2015	2014
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**246,534,446**	169,857,974
Effect of dilution – weighted average number of ordinary shares:		
Assumed issue at no consideration on deemed exercise of all share options outstanding during the year	**344,980**	–
Assumed issue at no consideration on deemed vesting of all awarded shares outstanding during the year	**299,184**	–
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	**247,178,610**	169,857,974

No adjustment has been made to the basic earnings per share amount presented for the year ended 31 December 2014 in respect of a dilution as the impact of the share options outstanding during the prior year had an anti-dilutive effect on the basic earnings per share amount presented.

10. TRADE RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
Due from third parties	**1,012,295**	971,615
Provision for impairment	**(9,666)**	(12,411)
	1,002,629	959,204
Due from companies controlled by TCL Corporation *(note)*	**76,557**	18,978
	1,079,186	978,182

Note: The amounts are unsecured, non-interest-bearing and repayable within one year.

Sales to third party customers

The majority of the Group's sales in the PRC were mainly made on the cash-on-delivery basis or 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 120 days. Sales to certain long term strategic customers were made on the open-account basis with credit terms of no more than 180 days.

Sales to related parties

Sales to related parties were made on the open-account basis.

The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables from third parties 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:

	2015	2014
	HK$'000	*HK$'000*
Current to 90 days	**882,303**	728,346
91 to 180 days	**165,859**	77,890
181 to 365 days	**8,713**	130,423
Over 365 days	**22,311**	41,523
	1,079,186	978,182

The movements in the provision for impairment of trade receivables are as follows:

	2015	2014
	HK$'000	*HK$'000*
At 1 January	**12,411**	–
Impairment loss recognised	**543**	12,364
Disposal of a subsidiary	**(543)**	–
Reversal of impairment provision	**(2,101)**	–
Exchange realignment	**(644)**	47
At 31 December	**9,666**	12,411

The above provision for impairment of trade receivables is a provision for individually impaired trade receivables. The individually impaired trade receivables relate to a customer who was in dispute with the Group and only a portion of the receivables is expected to be recovered.

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	2015	2014
	HK$'000	*HK$'000*
Neither past due nor impaired	**967,614**	911,825
Less than 90 days past due	**110,276**	47,739
90 to 180 days past due	**–**	18,618
Over 180 days past due	**1,296**	–
	1,079,186	978,182

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default. Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Certain subsidiaries of the Group have entered into receivable purchase agreements with banks for the factoring of trade receivables with certain designated customers. At 31 December 2015, trade receivables factored to banks aggregated to HK$370,416,000 (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.

11. TRADE PAYABLES

	2015	2014
	HK$'000	*HK$'000*
Due to third parties	**986,683**	1,063,420
Due to companies controlled by TCL Corporation	**81,904**	24,139
	1,068,587	1,087,559

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

	2015	2014
	HK$'000	*HK$'000*
Current to 90 days	**933,030**	1,036,144
91 to 180 days	**118,598**	35,023
181 to 365 days	**5,468**	2,334
Over 365 days	**11,491**	14,058
	1,068,587	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

	2015	2014
	HK$'000	*HK$'000*
Issued and fully paid:		
249,162,626 (2014: 248,968,066) ordinary shares of HK$1.00 each	**249,163**	248,968

During the year, 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 for a total cash consideration, before expenses, of HK$1,171,000.

INDUSTRY OVERVIEW

In 2015, the global economy continued to be weak and volatile. China's economic growth continued to decelerate as annual gross domestic product (GDP) last year grew by only 6.9%, the weakest growth since 1990 and the first time in 25 years that it has fallen below 7%. Due to a combination of factors, mainly attributed to the slowing economic growth, as well as external economic impacts, resulted in slumps in domestic industries such as manufacturing, and created unprecedented volatilities in the mainland stock market. In addition, further pressures on the Renminbi exchange rate led to downward declines in the domestic economy. In European markets, the sovereign debt crisis and influx of refugees continued to affect financial markets as Europe faces long-term predicaments in its economic development. Despite the uncertain global economy, decline in overall demand and other risks such as deflation, the Group continued to uphold its prudent and pragmatic approach to deal with the ever-changing market conditions and prepare for the challenges.

With the growing prevalence of wireless technology and smart home related technologies, the new audio products and media boxes market is growing rapidly, along with the steady rise in market demand for its corresponding peripheral products. Improvements in living standards and purchasing powers of China and emerging countries will also bring development opportunities for market integration. During the year under review, the Group continued to implement its "transformation and entrepreneurship" strategy to actively explore new business opportunities, and successful developed new media boxes and audio products to diversify product portfolio, expanding its customer base and market share, thus the overall business of the Group recorded stable growth.

BUSINESS REVIEW

The Group is one of the world's leading manufacturer of high-tech smart products, and is principally engaged in the research and development for well-known international brands, and the manufacturing and sales of high quality audio-visual products and wireless intelligent interconnectivity products.

In 2015, the Group overcame the difficulties caused by the global economic downturns through internal and external countermeasures. The Group continued to implement internal assimilation of project experiences and address structural and systemic operation issues to improve production efficiency. Externally, it carefully expanded its sales network to optimise customer base and extensive product portfolio. Although sales fell slightly, the Group's profit for the year achieved steady growth through its core strengths of a diversified product portfolio and competitive industrial platform.

The audio and video industry has continued in its acceleration of transformation and upgrading, and as a consequence, the media boxes and new audio products business have become one of the Group's major business segments, with its importance increasing steadily. During the year under review, the Group further increased its business development and research and development ("R&D") efforts in order to maintain its corporate competitiveness. Among these, in September 2015, a subsidiary of the Group won the bid for the Inner Mongolia Autonomous Region's Advanced Broadcasting System-Satellite ("ABS-s") «Hu Hu Ton » project and for CCTV's «2015 Digital Wireless Coverage Project for Central Radio and TV Programmes» satellite signal receiving device project, with a total bid amount of approximately RMB42.7 million. This marked Tonly Electronics' formal entry into the high-tech front-end wireless coverage device sector. On the other hand, the Group's first noise-cancelling Bluetooth headphone successfully started commercial shipment in September 2015, added on the new audio products released in November of the same year, have driven new audio products to become an important business segment for the Group to develop further.

For the year ended 31 December 2015, the Group recorded a turnover of approximately HK$4,857.2 million, down 10.4% year-on-year. Gross profit decreased by 9.3% year-on-year to approximately HK$604.6 million, while gross profit margin slightly increased from 12.3% in the last year to 12.5%. Operating profit increased by 0.02% year-on-year to approximately HK$192.7 million. Profit attributable to owners of the parent for the year under review grew by 11.1% year-on-year to approximately HK$166.5. Net profit margin was 3.4%.

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, HTS with soundbars (with wireless technology) and headphones, (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 ABS-s products, components, R&D income. Tonly Electronics is currently actively developing its "Intelligence + Internet" business, in order to gradually move towards the goal of becoming a high-tech smart products manufacturer with competitive advantages in the industry.

For the year ended 31 December 2015, revenue from the Group's audio product business grew by 4.9% year-on-year to approximately HK$2,294.6 million; revenue from video disc player business decreased by 37.0% year-on-year to approximately HK$1,302.5 million; revenue from media box business rose by 33.3% year-on-year to approximately HK$833.1 million; revenue from other businesses decreased by 21.0% year-on-year to approximately HK$427.0 million.

The Group's revenue breakdown by product:

	2015	2014	**Change**
	(HK$'000)	*(HK$'000)*	
Audio Products			
—Traditional audio products[1]	**893,212**	1,184,503	**-24.6%**
—New audio products[2]	**1,401,434**	1,003,606	**+39.6%**
Subtotal	**2,294,646**	2,188,109	**+4.9%**
Video disc players[3]	**1,302,470**	2,067,255	**-37.0%**
Media Boxes[4]	**833,076**	625,113	**+33.3%**
Other Businesses			
—ABS-s products	**196,875**	297,873	**-33.9%**
—Components	**174,741**	183,001	**-4.5%**
—Research & Development income	**55,420**	59,656	**-7.1%**
Subtotal	**427,036**	540,530	**-21.0%**
Total	**4,857,228**	5,421,007	**-10.4%**

(1) Mainly include HTS and Micro & Mini

(2) Mainly include wireless speakers, soundbars, audio docks and headphones

(3) Mainly DVD players and BD players

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

Audio Product Business

Benefitting from the rapid development of the Internet and wireless technology, there is strong demand in the market for smartphones, smart TVs and other new audio corresponding peripheral products. In response to market trends, the Group has actively strengthened its R&D investment in wireless technology, power consumption, new technology, new materials and others in the development of more new audio products. Meanwhile, the Group greatly increased its R&D efforts in electroacoustics technology during the year to further develop single speaker and wireless speaker products to enhance the overall product competitiveness.

During the year under review, sales of the Group's audio product achieved satisfactory growth, with segment revenue reaching a record high of HK$2,294.6 million, up 4.9% year-on-year.

Video Disc Player Business

With the growing popularity of tablet PCs and smartphones applications, there is continued pressure on the demand in the traditional DVD players market for traditional DVD players. At the same time, due to the changes in customer's purchasing strategy, the related branded video disc player business recorded significant decline as a result. Revenue from the Group's video disc player decreased by 37.0% year-on-year to HK$1,302.5 million during the year under review.

Media Box Business

By strengthening software development capabilities and improving product design, the Group was able to enhance the competitiveness of its media box products. As well, through the establishment of cooperation relationships with foreign and domestic internet and telecommunications companies to develop its mobile communications business, sales of the Group's media box business continued to rise.

For the year ended 31 December 2015, revenue from the Group's media box business rose 33.3% year-on year to HK$833.1 million. During the year under review, while consolidating and strengthening relationships with existing customers, the Group rebuilt its overseas set top box ("STB") R&D team to develop more diversified products. The STB business started commercial shipments in September 2015, and is expected that the business will gradually develop into an important revenue source for the Group.

Other Businesses

The Group fully leverages on its competitive advantages in product R&D to provide diversified R&D services to its international leading consumer electronics brand customers. International brand customers have stringent requirements for product quality and specifications, for whom the Group helps to develop new products and functions. This allows the Group to generate additional sources of revenue, while upholding its R&D capabilities and competitiveness so that the team remains at speed with industry trends. Additionally, having satisfied the internal demand for plastic components in production, the Group also sells the surplus to external parties to generate further income.

During the year under review, revenue from the sales of ABS-s products decreased by 33.9% year-on-year to HK$196.9 million, mainly due to the delayed in shipments of 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.

Production and Supply Chain Management

In the face of China's labour shortage problems and rising wages, the Group is committed to enhancing its human resources system. In 2015, the Group significantly increased the proportion of automated equipment and strengthened the stability of skilled workers to boost its per capita production efficiency.

In addition, to fulfill small quantity orders for each of the various types of innovative products, the Group adopted a cellular manufacturing mode and reorganised the location and layout of its plant to boost overall efficiency and reduce non-operating hours. During the year under review, the Group has successfully implemented smart warehouse logistics management based on an industrial intelligence system, to closely integrate all aspects of supply chain, production and logistics, in order to lay a solid foundation for Industry 4.0. Meanwhile, the Group has optimised its equipment maintenance and management system to steady increase, the actual production capacity of the Huizhou production base.

As part of the Group's business diversification strategy, in addition to the existing business, management believes that the acquisition of a strategic restructuring program will help expanding the Group's sources of income. 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 into the Group. The Group also combined the entire production process with its upstream operations to reduce production costs and achieve synergy. This will allow the Group to realise vertical integration and development of the plastic moulding business. At the end of 2015, the merger has been completed, while related business and sales revenue have been consolidated into the Group's financial statements.

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 its raw materials locally and acquired new customers, thus boosting shipments substantially.

Research and Development (R&D) and Product Innovation

With the advancement of smart technology and electronic product innovations, it is a prerequisite for enterprises to possess professional product innovation capabilities to gain market acceptance. The Group is committed to product innovation, with substantial annual investment in R&D above that of the average industry level. During the year under review, the Group's R&D expenses were approximately HK$188.3 million, representing 3.9% 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 who mainly develop and introduce products to the market catering to clients' specific requirements, and carry out visionary research on fundamental product technologies. The Group has also amassed a design team with foreign experienced electroacoustic professionals, and continued to increase its investment in the R&D of OTT products to meet market growth opportunities.

In September 2015, the Group's first proprietary high-end noise-canceling wireless headphone combining active noise-canceling, Bluetooth transmission and touch control technologies successfully started commercial shipment. In ten months, the Group transformed the initial design concept into a viable product released to the reputable client and consumers to earn the customer's trust and recognition. In addition, since early on, the Group has stepped into the Internet of Things ("IOT") market, with accumulated experience in technology, design and development of smart IOT products. Its development of smart IOT products series have also begun stabilised production. In the first quarter of 2016, the Group brought a variety of innovative electronic products including three widely acclaimed product series: KiWi, KiWi Mini and KiWi Junior, to the global consumer electronics tradeshow – Consumer Electronics Show held in Las Vegas, United States. The products provide solutions for users in three major aspects of security, health and fitness, and energy management, offering a wide-ranging package of services encompassing smart sockets, smart lighting and smart switches, and allowing consumers to enjoy the ultimate smart life experience.

Establishment of a Venture Capital Fund

In April 2015, the Group established a venture capital fund with its partners by using capital as the linkage to invest in innovative Internet and 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.

Future Plans and Outlook

Entering 2016, with the complicated domestic and international economic environment, the macro economy faces downside risks. Global currency exchange rate fluctuations, financial risk in the emerging economies and European debt crisis all lead to an unclear economic outlook.

Faced with a challenging operating environment, the Group adheres to focus on product innovation as its expansion strategy. It continues to strengthen its development capabilities in product design and core technologies to introduce more innovative products to meet market demands and consumer preferences. With the Group's good relationship with customers, accumulated R&D production capability over the years, as well as overseas distribution supply chain advantages, since 2015 the Group has gradually transitioned to a market- and consumer-oriented business model. In addition to laying a more solid business foundation for future development, this also helps the Group towards the goal of becoming a high-tech smart products manufacturer with competitive advantages in the industry, for sustainable business growth.

Looking to 2016, the Group will focus on development of its three major businesses of video products, OTT and media boxes, and IOT innovative business. At the same time, it will enhance its electroaccoustic capabilities through improvements in production and supply chain distribution, and further integrate its plastic moulding business to develop greater injection capabilities with new resources and technology. It will create an integrated operating platform encompassing "Manufacturing, Quality, Supply Chain and Procurement" capabilities. The Group will also strengthen cooperation with strategic partners, continue the transformation and upgrading of products, broaden its customer base by optimising its portfolio of new product to create new business growth drivers.

However, notwithstanding the Group's innovative business plan which takes time to yield its results, the Group expects that there will be a fair degree of decrease in its revenue in the first half of 2016 since the amount of orders placed by one of the Group's major customers started to decrease notably in the fourth quarter of 2015 due to the business restructuring of such customer, and it is expected that the amount of orders placed by this customer would continue to decline in 2016.

In addition, the cooperation model between the Group and one of its other customers has changed, and the customer provided the major materials for its orders. In the circumstances, although the business volume with this customer significantly increase, the sales to this customer obviously decreased.

In order to mitigate the negative effect on the Group's financial performance caused by the said customers, the Group is actively approaching new customers, venturing into new markets and, more importantly, devoting more dedication to the business of IOT products and other internet related products.

Clearly the future market trend is a world of Internet and wireless technology. On the one hand, demand for smart homes and tablets continued to rise, driving new audio peripheral products into the mainstream market. On the other hand, the rapid development of IOT market will bring to the Group golden opportunities for cross-industry cooperation. The Group will actively enhance product competitiveness and capability, especially innovations in electroacoustic capacity and related technologies. It will continue to invest in the IOT industry, integrate R&D and supply chain, to provide quality products and services for brand enterprises in the industry and customers. 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. Meanwhile, combined with automation equipment applications, the Group will make full use of its overseas supply chain advantages to achieve diversification of production and relieve upward pressure on production costs.

With the Group's effort in developing competitive IOT products and other audio products and developing its overseas markets, the management strives to achieve gradual recovery in the Group's revenue in the second half of 2016.

In addition, to tie in with the future development needs of the Group, construction on the new plant next to the existing plant in Huizhou has commenced, it is expected that the first phase of construction would complete in the fourth quarter this year, which will allow the Group to expand production capabilities and complement supply chain management to increase production efficiency. Overall, Tonly Electronics will expand through new businesses, develop new technologies and new products and enhance productivity, to provide the highest quality products and services for brand enterprises and customers. In addition, the Group is constantly looking for opportunities to actively seek viable business development opportunities, combined with a vision for expanding business categories via its own advantages, to enhance long-term value of the Group, and maximise returns for shareholders.

FINANCIAL REVIEW

Significant Investments, Acquisitions and Disposals

There were no significant investment held as at 31 December 2015, nor other material acquisitions and disposals of subsidiaries during the period, save as the following:

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 have commenced by September 2015 and the first phase is expected to complete in the fourth quarter this year. 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.

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 Winmax, as the vendor, and FPI, as the guarantor, (both being independent third parties of the Company), pursuant to which Tonly International conditionally agreed to acquire, and Winmax conditionally agreed to sell, the entire issued share capital of FP Group Limited at a total consideration of RMB88,792,136, subject to adjustment, and FPI conditionally agreed to guarantee the full and punctual performance by 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.

The acquisition was completed on 30 September 2015, and the total consideration, after adjustment, paid and payable by Tonly International for the acquisition is RMB95,545,601.

Liquidity and Financial Resources

The Group's principal financial instruments comprise of bank loans, bills receivable, cash, short-term deposits and other investment. 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 December 2015 amounted to approximately HK$889,892,000 of which 6.1% was maintained in Hong Kong dollars, 71.8% in US dollars and 22.1% 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 31 December 2015.

As at 31 December 2015, the Group's gearing ratio was 0% since the Group had cash and bank balances of approximately HK$889,892,000 and without interest-bearing bank borrowings.

Pledge of Assets

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

Capital Commitments and Contingent Liabilities

As at 31 December 2015, the Group had capital commitments of approximately HK$32,620,000 (31 December 2014: HK$34,027,000). The Group did not have any material contingent liabilities as at 31 December 2015.

Pending Litigation

The Group had not been involved in any material litigation for the year ended 31 December 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 5,100 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. In order to align the interests of staff with those of shareholders, share options were granted to selected employees under the Company's share option schemes. Options for subscribing a total of 13,523,236 shares remained outstanding at the end of the reporting period.

A restricted share award scheme (the "Award Scheme") was also adopted by the Company on 28 August 2014 pursuant to which existing shares would be purchased by the trustee from the market out of cash contributed by the Group and be held on trust by the trustee for the relevant selected employees until such shares are vested with the relevant selected employees in accordance with the rules of the Award Scheme.

PURCHASES, SALES OR REDEMPTION OF SHARES

Pursuant to the rules of the Award Scheme adopted by the Company on 28 August 2014, the trustee for the Award Scheme purchased from the market a total of 3,262,000 shares being the awarded shares for the Award Scheme during the year. The total amount paid to acquire such shares was approximately HK$19,606,000.

During the period under review, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

FINAL DIVIDEND

The Board has proposed a final dividend, for the year ended 31 December 2015, of HK25.0 cents (2014: 25.0 cents) in cash per share.

Subject to approval at the forthcoming annual general meeting, the said final dividend will be payable on or about 16 May 2016, Monday to shareholders whose names appear on the register of members of the Company on 5 May 2016, Thursday.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on 22 April 2016, Friday, for the purposes of determining the entitlements of the shareholders to attend and vote at the annual general meeting. No transfer of the shares may be registered on that date. In order to qualify to attend and vote at the annual general meeting, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on 21 April 2016, Thursday.

The register of members of the Company will be closed from 3 May 2016, Tuesday to 5 May 2016, Thursday (both dates inclusive), for the purpose of determining the entitlements of the shareholders of the Company to the proposed final dividend upon passing of relevant resolution. No transfer of shares may be registered during the said period. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on 29 April 2016, Friday.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on 22 April 2016, Friday. The notice of annual general meeting will be published on the websites of the Company and The Stock Exchange of Hong Kong Limited and despatched to the shareholders of the Company in due course.

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 year ended 31 December 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 respective pre-arranged business commitments which must be attended to by certain directors:

1. Mr. Leong Yue Wing, being a non-executive director of the Company at that time (redesignated as an independent non-executive director with effect from 15 January 2016) and Mr. LI Qi and Mr. YOUNG Shiao Ming (resigned with effect from 15 January 2016), both being independent non-executive directors of the Company, were not present at the annual general meeting and the extraordinary general meeting of the Company held on 17 April 2015; and

2. Mr. YUAN Bing and Mr. LEONG Yue Wing (re-designated as an independent non-executive director with effect from 15 January 2016), being a non-executive directors of the Company at that time, and Mr. POON Chiu Kwok and Mr. YOUNG Shiao Ming (resigned with effect from 15 January 2016), being independent non-executive directors at that time, were not present at the extraordinary general meeting of the Company held on 30 December 2015.

However, Mr. YUAN Bing, being the Chairman and non-executive director of the Company, Mr. REN Xuenong, being executive director and the Chief Financial Officer of the Company and Mr. POON Chiu Kwok, being independent non-executive director of the Company, were present at the annual general meeting and the extraordinary general meeting of the Company held on 17 April 2015; and Mr. REN Xuenong, being the executive director and Chief Financial Officer of the Company and Mr. LI Qi, being independent non-executive director of the Company, were present at the extraordinary general meeting of the Company held on 30 December 2015 to ensure an effective communication with the shareholders.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 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. Leong Yue Wing, 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.

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 year ended 31 December 2015.

On behalf of the Board
YUAN Bing
Chairman

Hong Kong, 29 February 2016

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